

Asiatic	3422	Indonesian	8320	Peru	2010
Bahamas	1040	Iran	8250	Saudi	2010
Bahia	1040	Italy	1360	Shanghai	2010
Bahia	1040	Japan	1360	Singapore	2010
Bahia	1040	South Korea	1360	Taipei	2010
Bahia	1040	Taiwan	1360	Thailand	2010
Bahia	1040	Thailand	1360	Tokyo	2010
Bahia	1040	Tokyo	1360	US	2010
Bahia	1040	US	1360	West Germany	2010
Bahia	1040	West Germany	1360	Yen	2010

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER
Wednesday December 2 1987
D 8523 A

Gatt: Moscow waits
at the world's
trade door, Page 6

World News Business Summary

Soviet army 'may quit Afghanistan early'

Soviet leader Mikhail Gorbachev was quoted as saying he was considering withdrawing Soviet troops from Afghanistan earlier than the previously planned deadline of within 12 months.

Australian Prime Minister Bob Hawke, visiting Moscow, said Gorbachev told him he had been in contact with Afghan President Najibullah in the previous 24 hours, Page 28.

Plessey in talks on GEC chip activities

Plessey, UK electronics group, is negotiating for the semiconductor activities of the General Electric Company only a week after reaching agreement on the takeover of the Ferranti chip manufacturing business.

A deal between the two groups, which could take the form of a takeover or a joint venture, would secure Plessey's position as the leading UK chip producer.

Iranians 'ready to deploy new missile'

Iran said it would deploy a new type of ground-to-ground missile against Iraq in the next few days as tens of thousands of troops left Tehran for the warfront.

Iraq granted an amnesty to all citizens living abroad who were convicted or suspected of political or criminal offences - including those sentenced to death.

Korean Airlines 'bomb'

A Korean Airlines Boeing 707 missing since Sunday had probably been blown up by a time bomb, possibly left by a couple who got off the aircraft in Abu Dhabi and took suitcase explosives during interrogation in Bahrain, South Korea said, Page 28.

Contras propose truce

Nicaraguan rebel leaders proposed a five-week truce in their war against the Sandinista Government, but demanded that Managua dismantle its army, Page 3.

France to repay Iran

France indicated it was willing to repay Iran part of a contested loan to improve relations between the two countries. UK hostage claims, Page 3.

Sri Lanka killings

Seven members of a Tamil family were shot dead by police in eastern Sri Lanka, Colombo contras threat, Page 3.

OAU debt proposal

African leaders at a two-day Organisation of African Unity meeting in Addis Ababa proposed radical measures to solve the continent's debt crisis, Page 3.

INF pact 'a disaster'

The superpower accord on eliminating shorter- and medium-range nuclear missiles from Europe could spell disaster for the Western allies, former US Secretary of State Henry Kissinger said, NATO looks beyond pact, Page 3.

Thatcher to visit Lagos

British Prime Minister Margaret Thatcher was to go ahead with a visit to Nigeria despite a row in Lagos about the invitation and widespread criticism from Nigerians angered by her anti-terrorist views on South Africa, Page 4.

UK warns Gibraltar

The British Government warned Gibraltar that it may invoke the Governor's reserve powers and impose direct rule on the colony if it refused to accept an Anglo-Spanish deal on joint use of Gibraltar's airport, Page 3.

Bhopal charges

India charged Union Carbide of the US and former chairman Warren Anderson with manslaughter, three years after the Bhopal accident which killed 2,800 and four days after settlement talks broke down.

Italian energy plan

The Italian Government started work on a new national energy plan, the country's third in five years, following a recent referendum on the subject, Page 3.

Picasso record

A world auction record for a Picasso was set at Sotheby's in London last night when *Sotheby's Du Havre*, an oil painting, was sold to a Swiss dealer for \$4.18m (\$6.85m).

Fast trouble tax

Soviet Communist Party newspaper Pravda urged the state to raise taxes on new co-operative businesses getting too rich too fast, Page 3.



Sir John lost touch with his party

The Flying Peanut glides out of politics

MR JIMMY Carter was not the first peanut farmer to rise to the top in a country known for its aggressive and open politics.

Sir John Gorton, the maverick politician who resigned yesterday as premier of the Australian state of Queensland, was called the 'Flying Peanut' long before.

The tag reflected his love for piloting aircraft as well as his background, and was at least endearing. By contrast, he was at one stage also dubbed 'Jackboots Blinks' because of his extreme anti-union and anti-socialist views.

As it turned out, neither sobriquet lasted as long as he did - and when his time finally ended, he went out as everyone expected - defiantly.

He announced his resignation from the premiership of the 'Sunshine State', and retirement from his parliamentary seat, at a press conference specially timed to coincide with live television news broadcasts.

His decision marks the end of an era in Australia. He had been in Queensland politics for 40 years, and Premier for almost 20 of them. To judge by the loss of touch he displayed in his last few months, no outsider could have guessed at this extraordinary record, which was all the more remarkable given his humble background.

The son of poor Danish Lutheran immigrants, he worked hard to build his profitable peanut farm and then a successful land clearance business.

In 1947 he launched himself into right-wing politics through the Country (later the National) party, and became premier almost by default in 1968.

Once there, he hung on, helped by the so-called Queensland gerrymander.

He displayed native cunning, charm and guile in dealing with rivals and a mastery of the half-truth and quotable quote in dealing with the press.

His public stands on issues like political protest, minority rights, censorship, conservation and liquor licensing gave the state an unfortunate image. Some dubbed it the 'Deep North'.

But with the Barrier Reef and tropical rainforest, it also developed into a major tourist zone and remained an important coal, base metals and sugar exporter.

Sir John talked much of free enterprise but was something of an interventionist.

His biggest mistake, however, came after he won his greatest ever electoral victory 13 months ago.

Continued on Page 28

Opinion divided in Washington on prospects for budget deficit proposals

Central bankers in Europe and Japan act to stem dollar slide

BY STEWART FLEMING IN WASHINGTON AND SIMON HOLBERTON IN LONDON

CENTRAL BANKS in Europe and Japan intervened in foreign exchange markets yesterday to arrest the dollar's slide while the US Congress was close to begin drafting legislation to cut the budget deficit by \$75bn over two years.

Congressional budget experts predicted that the accord reached last month would be passed in spite of the political obstacles to its approval.

But they raised the possibility that final action might not be taken until December 15, probably the last date Congress can convene before the Christmas holidays.

There are, however, sceptics on Capitol Hill who question whether Congress will approve a budget accord which is politically unattractive and which is coming under fire from prominent private economists on the grounds that it will not produce the deficit reduction being advertised.

On the foreign exchange markets, central banks in the UK, West Germany, the Netherlands, Switzerland, Italy, and earlier, Japan, participated in yesterday's intervention.

Central bankers said they intervened to support the dollar to show the market that, in the words of one, 'we still put some store in the idea of orderly markets'.

But the intervention was not massive and, according to another European central banker, it amounted to some hundreds of millions of dollars.

It appears as if the US Federal Reserve did not participate. One European central banker said: 'There were no signs or signals from the US that the Americans are prepared to support the dollar or prevent it from falling further.'

The dollar rebounded in response to the intervention but dealers said this reflected technical factors rather than any fundamental reassessment of the US currency. As trading progressed throughout the day it came under renewed, if modest, selling pressure.

West Germany's efforts to calm currency markets will be reflected in moves to be suspended today and tomorrow to increase assistance to West German industry and to cut in the discount rate, but it remains to be seen what effect, if any, these will have on the dollar.

In Washington, there were unconfirmed reports that the US, spurred on by the turbulence in the financial markets, was considering accelerating efforts to convene a meeting of the Group of Seven leading industrial countries.

The reports also made it clear that basic understandings still have not been reached and without these a G7 meeting would not be able to produce substantive agreements. According to European central bankers there were no signs of a G7 meeting occurring in the near future.

Mr Nigel Lawson, the British Chancellor, is still keen to have a G7 meeting before Christmas. In recent contacts with Washington, however, he has made it clear that a firm US commitment to support the dollar is a precondition for successful talks.

The Senate Finance Committee scheduled a private meeting to discuss the idea of tax increases for the current fiscal year and the \$14bn proposed for 1989. Eventually House and Senate versions of both the package and spending package will be reconciled and sent to President Reagan for his approval.

On Monday, Mr Reagan signalled that he could still veto the legislative package if it did not meet the guidelines established in the negotiations.

In London, activity in the stock market was subdued. The FT-100 share index closed 1.4 lower at 1,578.5, and the FT Ordinary share index closed 1.4 lower at 1,249.8.

The dollar closed at DM1.6490, compared with DM1.64 on Monday and at ¥192.95 (¥132.45).

The pound closed at \$1.5185 (\$1.8260) and at DM2.9975 (DM2.9960).

The Bank of England's trade-weighted sterling index closed 0.2 lower at 76.2.

Dollar against the D-Mark (DM/\$)

Nov 1987	Dec
1.60	1.65
1.55	1.60
1.50	1.55
1.45	1.50
1.40	1.45
1.35	1.40
1.30	1.35
1.25	1.30
1.20	1.25
1.15	1.20
1.10	1.15
1.05	1.10
1.00	1.05

Dollar against the Yen (Y/\$)

Nov 1987	Dec
190	195
185	190
180	185
175	180
170	175
165	170
160	165
155	160
150	155
145	150
140	145
135	140
130	135
125	130
120	125
115	120
110	115
105	110
100	105

STERLING closed in New York at \$1.5185. (\$1.8260). DM2.9975 (unchanged). FF10.2125 (FF10.2125). SF2.4675 (SF2.4675). Y242.6 (Y242.6). Page 41.

AUTOLATINA, Brazil-based oil company which brings together the Pater and Vulliamy families, forecast that losses this year could reach \$300m due mainly to government price controls. Losses totalled \$75m in 1986. Page 29.

US SEOE, Cincinnati-based footwear and clothing store chain reported a 9 per cent fall in third quarter net profits to \$12.2m or 27 cents. Page 29.

TURNER Broadcasting Systems, US media group, and General Electric's NBC are holding talks on a \$400m capital injection by NBC into Turner. Page 29.

NORANDA, Canada's largest integrated group, is tightening its control of the oil and gas interests of the Peter and Edward Bronfman family of Toronto. Page 29.

OSI, Australian sugar group with extensive interests in building products, has purchased a further 8.9 per cent of Timber Holdings, taking its stake to nearly 29 per cent. Page 31.

NEPTUNE ORIENT Lines, Singapore-based shipping group, has cut by more than half the price of its one-for-one rights issue as a result of the market collapse, and now aims to raise only \$817m (US\$881m). Page 31.

TOSHIBA, leading Japanese manufacturer, announced consolidated net earnings in its first half to September up 47 per cent to ¥17.61bn (\$133m) from ¥12.01bn. Page 31.

KLOECKNER-WERKE, West German steel group, expects to have broken even in net-income terms last year - for the third year running - in spite of 'overall bad' conditions in the steel market. Page 30.

GORBACHEV'S CANDID CAMERA CHARM AMERICA

Sri Lanka: Colombo confronts the southern threat

Management: In search of chemical reactions

Editorial comment: Lesson for Jaruzelski; Hostage deal; Semiconductor plan

Independent television: The last fashion under attack

Poland: The General bows to warning on food prices

Lex: Markets; GEC; Trafalgar House; Allied Lyons; BP

Thailand: Survey

French Banking: Survey

Thatcher steps up attack over Irish extradition proposals

BY PETER RIDDELL, POLITICAL EDITOR IN LONDON

MRS MARGARET Thatcher, the British Prime Minister, yesterday stepped up public criticism of the Irish Government's proposed changes in extradition procedures with the UK.

In a prepared statement read during the regular Prime Minister's Question Time in the House of Commons, she said Britain would become 'the least favoured nation' in Europe in relation to the extradition of suspects from the Irish republic. There was a risk that extradition would become more difficult, she said.

Her remarks reflect the strength of feeling in the British Government on the need for proper procedures for the extradition of terrorist suspects who can escape over the border into the Irish republic after incidents in Northern Ireland.

Thatcher intends to press home her criticism of the extradition proposals when she sees Mr Charles Haughey, the Irish Prime Minister, at the European Community summit to be held in Copenhagen this weekend.

Ireland has ratified the European convention on the suppression of terrorism, but in response to domestic political concern, the Irish Government has proposed amendments to legislation on extradition affecting the UK.

The Irish Attorney General would be involved in such applications to satisfy himself on the intention to prosecute a fugitive and about the evidence - in effect, a first trial.

Mr Thatcher told MPs that the Government was 'naturally concerned about the compatibility of the proposals with the continuance of viable extradition arrangements within the two countries'. There, she said, were essential so that there was no hiding place for terrorists.

'What the republic is doing is making us the least favoured nation in this matter. It was a step backwards.'

In a speech delivered before Mrs Thatcher's remarks, Mr Brian Lenihan, the deputy Irish Prime Minister, claimed the new arrangements would 'bring new vitality to the relationship now established between the British and Irish governments'. He said the safeguards were a full response to public opinion on the issue.

Last night, Mr Neil Kinnock, the opposition Labour leader, received support from leaders of the Republic's labour parties in his attempt to isolate Mr Ken Livingstone, the left-wing Labour MP, for his repeated remarks against Sinn Fein, the political wing of the outlawed Irish Republican Army (IRA).

Mr Dick Spring, leader of the Irish Labour Party, along with the leaders of the Workers' Party and the Democratic Socialist Party, has written to Mr Kinnock urging an end to all contact with Sinn Fein.

The letter, which was circulated to all Labour MPs last night ahead of a discussion at the Parliamentary Labour Party meeting due this morning, says that those deluded or opportunistic British and Irish Labour MPs who are interested above all in keeping the IRA should be reminded that Enniskillen (a bomb attack in Northern Ireland last month in which 11 people died, and for which an IRA unit admitted responsibility) was the latest in a long line of atrocities which are part and parcel of its fascist campaign.

'If the morale of the IRA continues to be boosted by elements of the British Labour Party, part of the blame for future atrocities will be laid at the feet of those in Britain who head and support the IRA.'

UK Parliament, Page 14

EC sets out plan to open up satellite market

By David Thomas and Terry Dedworth in London

THE EUROPEAN Commission is determined to legislate next year for greater competition in telecommunications among EC member states.

The Commission has become convinced that further liberalisation measures are needed after receiving replies to a consultative Green Paper it published in June which revealed a broad consensus in favour of more competition.

Mr Karl-Heinz Narjes, Commission Vice-President, said in London yesterday that the replies provided a 'strong basis' on which to build a determined campaign for greater competition.

Mr Narjes told the Financial Times conference on World Telecommunications that the Commission would adhere to 'strict deadlines' in pursuing a step-by-step programme of liberalisation. Among the measures disclosed by Mr Narjes were:

Free competition in the terminal equipment market by 1990, though probably with a transitional period for liberalisation of the first telephone for that market.

Substantial liberalisation of services, particularly value-added services used by businesses, from 1989 onwards, though member countries will not be forced to liberalise basic voice traffic.

Free competition in 1989 in the supply of receive-only small satellite dishes.

Moves to bring tariffs into line with costs, with 1992 as the target date for achieving 'reasonable cost-related tariffs'.

Several supplementary measures, including enforcing fair equipment approval processes across Europe and setting up a European Telecommunications Standards Institute.

Further comments on the Green Paper are still expected before the end of the year, but Mr Narjes was sufficiently confident to promise that the first legislative proposals would be published in the first half of 1988.

The Commission was surprised by the readiness with which European telecommunications administrations accepted the need for more competition.

The Commission is hoping to reach a common EC policy by the end of 1988 on satellite communications and on the telecommunications trade - an area where the EC has experienced difficulties with the US and Japan.

The EC's eventual goal is to complete the liberalisation programme by 1992, as part of its ambitious overall objective of creating a free internal market within the Community.

Conference report, Page 12.

West Germany expected to boost economy

BY DAVID MARSH IN BONN

THE WEST German Government and the Bundesbank, the central bank, are due to announce today and tomorrow concerted investment measures and interest rate cuts to stimulate the economy, a senior Government official said last night.

A programme involving an extra DM21bn (\$12.8bn) in subsidised investment credits for local government authorities and small and medium-sized businesses will be announced today by Mr Gerhard Stoltenberg, the Finance Minister.

The official also indicated that the Bundesbank, which holds a regular meeting of its policy-making council tomorrow, would cut discount rate by at least 0.5 percentage point from the present 3 per cent. The larger-than-expected reduction would take the discount rate to the lowest level ever.

The official's remarks indicate the strong political pressure building on the central bank from Bonn to support the economy.

The moves are viewed as West Germany's contribution to helping the domestic and international economy and stabilising exchange rates, he said. Together with already planned tax cuts of DM14bn taking effect at the beginning of next year, they also represented the contribution Bonn would be taking to any prospective meeting of the Group of Seven Finance Ministers, he said.

Declaring that Bonn could play only a 'marginal' role in stabilising the dollar, the official made clear that the Government was interested above all in keeping steady exchange rates within the European Monetary System (EMS).

Although he stressed that the Bundesbank was autonomous, his strong pre-emptive hint of tomorrow's interest rate action may take the central bank by surprise.

A discount rate cut had already been expected by many bankers, but the Bundesbank is known to be anxious to maintain its freedom of monetary policy.

The West German Bundesbank - the price and telecommunications authority - will also bring forward to next year some already planned capital investment spending as an ancillary growth measure.

The cost to the West German budget of the investment credit programme will be small, probably somewhat more than DM200m a year. The funds will be lent at subsidised interest rates by the public sector-owned Frankfurt-based financing agency, Kreditanstalt fuer Wirtschaftsforderung (KfW).

The planned investment credit package last night drew some critical reaction in West Germany. Mr Tyl Necker, president of the Confederation of West German Industry, complained that the programme - to be geared heavily towards local government spending on the environment - was not strongly enough geared to industry.

Central bankers in Europe and Japan act to stem dollar slide

BY STEWART FLEMING IN WASHINGTON AND SIMON HOLBERTON IN LONDON

Thatcher steps up attack over Irish extradition proposals

BY PETER RIDDELL, POLITICAL EDITOR IN LONDON

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Mikhail Gorbachev, the Soviet leader, draws first blood in the pre-summit propaganda war, Page 5.

GORBACHEV'S CANDID CAMERA CHARM AMERICA

Sri Lanka: Colombo confronts the southern threat

Management: In search of chemical reactions

Editorial comment: Lesson for Jaruzelski; Hostage deal; Semiconductor plan

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Poland: The General bows to warning on food prices

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UK Parliament, Page 14



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EUROPEAN NEWS

Italy again tackles task of how to meet its energy needs

BY DAVID LANE IN MILAN

THE ITALIAN Government has started work on a new national energy plan, the country's third in five years, following the recent referendum on the subject.

A committee of politicians and experts, mainly from the energy sector, has been appointed to produce a framework within three months.

The previous plan, approved two years ago, was quickly made obsolete by the Chernobyl nuclear disaster in April, 1986. Since then Italy, which is highly dependent on imported energy, has been without a policy.

Mr Adolfo Battaglia, the Industry Minister, has specified the issues which must be studied. The committee is required to forecast medium-term energy requirements, giving attention to energy-saving and diversification of sources.

In this task it may be helped by the large quantity of material presented to the national energy conference, held in Rome at the end of February.

Decision-making in Italy's energy sector has been severely hampered by bureaucratic procedures. The committee has been asked to examine these and, in particular, to suggest solutions to the problems of sizing power stations.

Forecasting electricity demand and making proposals for supply will form an important part of the committee's work. An electricity sub-plan will indicate the generating capacity which Italy will need.

On the nuclear issue Mr Battaglia says that government policy foresees a limited presence in

this field, together with the continuation of research into intrinsically safe reactors and fusion power.

Three other ministers will sit on the committee, which will also include the chairman of the electricity corporation, ENEL, and the state hydrocarbons holding corporation, ENI. This composition has been criticised as pro-nuclear by environmentalists.

Last weekend, the Government suspended until the end of this year work on the nuclear sections of the Montalto di Castro power station about 70 miles north of Rome. Mr Giovanni Goria, the Prime Minister, said that completion of the plant would be subject to checks on its safety and on the economics of modification to other fuels.

Italy's trade unions are going ahead with a national strike of airport workers today following the breakdown of negotiations on renewing the labour contract which expired at the end of last year.

Ground staff will stop work after four hours of their eight-hour shifts, paralysing all Italian airports and affecting national and international flights by all carriers. Alitalia, the national airline, expects to cancel more than half its flights.

Twenty-four hour stoppages by ground staff are planned for next Sunday and December 14. These will cause a total blackout of air transport to and from Italy.

Union leaders will meet Mr Goria tomorrow and there are hopes that this meeting will lead to resumption of negotiations and cancellation of the strikes.

Waldheim will submit to wartime inquiry

By Judy Dempsey in Vienna

DR KUERT WALDHEIM, the Austrian President, who is surrounded by controversy concerning his wartime activities, has agreed to stand before a specially convened historical commission if invited to do so in an attempt to clear his name.

The historical commission which was set up at the request of the Austrian Government is looking specifically at the allegations concerning Dr Waldheim's activities in the Balkans between 1942 and 1945.

In particular, the commission will investigate whether Dr Waldheim knew about, or was involved in, the deportation of Greek Jews from Salonika to the concentration camps, as well as the murder of thousands of Yugoslav partisans. Dr Waldheim has always consistently denied these allegations.

There is a growing consensus that the commission could come up with evidence likely to embarrass the President.

Mr Adolf Castet, president of the Arbeiterkammer labour union, said earlier in the week that "Waldheim himself knows what to do."

He implied that the affair would have to be resolved soon, given that the 50th anniversary of the Anschluss, the annexation of Austria by Nazi Germany in 1938, falls next February. A whole series of seminars and lectures will consider Austria's role during the Second World War have already been organised to coincide with the anniversary.

BRITAIN MAY IMPOSE HOME RULE IF ANGLO-SPANISH PLAN IS REJECTED

Gibraltar warned on airport deal

BY JOE GARCIA IN GIBRALTAR

THE British Government is reported to have warned Gibraltar that it may invoke the Governor's reserve powers, and impose direct rule on the colony, if it refuses to accept an Anglo-Spanish deal on joint use of the Rock's airport.

Britain is poised to take such exceptional action, which has been made known privately to local leaders, in the face of continuing threats from Gibraltar to block an expected agreement on the joint use of the airport with Spain.

In London last night, British Foreign Office officials strongly denied the report. They said that Britain and Spain were still attempting to negotiate a mutually acceptable agreement on use of the airport which would in no way undermine the principle of British sovereignty over Gibraltar. The best guarantee that the interests of Gibraltar would be fully taken

into account was the presence of Sir Joshua Hassan, the Gibraltar Chief Minister, at the negotiations, the officials said.

Gibraltarians fear that an airport deal could be the first of a series of Spanish incursions into their homeland. They have demonstrated against concessions being granted to Spain and the local parliament has unanimously opposed joint use or control.

Britain, however, says it is confident that what is on offer does not impinge on the sensitive issue of sovereignty and would provide Gibraltar and the Spanish hinterland with important economic benefits, helping the disputed colony's development as a finance and tourist centre.

The Rock's Governor, who is directly responsible for foreign affairs as Britain's appointee, is constitutionally empowered to act to safeguard Gibraltar's economic and financial stability.

Separately, he can also use reserve powers to enact legislation necessary to set in motion an airport deal with Spain, if the House of Assembly fails to pass such legislation.

Britain hopes to avoid taking such drastic action by persuading the local government to agree to the minimum British offer to Madrid. This includes the building by Spain of a second terminal to handle passengers to and from Spain, who would be exempt from Gibraltar's passport and customs controls.

Spain is also prepared to have a Spanish air traffic controller at the airport, in the interests of safety and improved liaison between the Gibraltar and the Seville control towers, given the prospect of increased commercial traffic if a deal goes through.

However, talks in Madrid last weekend between Sir Geoffrey Howe, the UK Foreign Secretary, and Mr Francisco Fernandez Ordonez, his Spanish counterpart, ended in deadlock because of Spanish insistence on an improved British offer.

A further round of talks in London today would seem to provide a final opportunity to strike a deal before EC transport ministers meet on December 7 to consider the air liberalisation issue, which Spain blocked last June because Gibraltar was included as a British regional airport.

Sir Joshua Hassan, the Chief Minister of Gibraltar, is joining the British side at the London talks. He agreed last week to attend the Madrid meeting after receiving assurances from the British Foreign Office.

Mr Joe Bossano, the leader of the opposition, has warned of a constitutional crisis developing "if Britain tries to impose on Gibraltar what it does not want."

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Talks begin on chemical weapons ban

US AND SOVIET arms negotiators opened three weeks of talks yesterday aimed at agreeing a ban on the production, deployment and stockpiling of chemical weapons, spokesmen for both sides said, Kester reports from Geneva.

The talks follow an unprecedented exchange of visits to chemical weapons sites in the two countries. Soviet experts toured a US site at Tooele, Utah, in November and American officials visited a Soviet site at Shikhan in October.

The bilateral talks on chemical weapons were initiated by Mr Mikhail Gorbachev, leader of the Soviet Union, and US President Ronald Reagan during their

November 1985 Summit in Geneva.

The leaders said the talks were intended to accelerate efforts at a long-running 40-nation disarmament conference to ban chemical arms. The bilateral talks run parallel to the conference.

Negotiations on chemical weapons have been boosted by the recent US-Soviet agreement to eliminate intermediate-range nuclear missile forces (INF), according to Western negotiators at the disarmament conference.

The key to the INF treaty, to be signed by Mr Gorbachev and Mr Reagan at a summit in Washington next week, was an unprecedented regime to guaran-

tee against cheating, including swift on-site inspections of any suspected areas or facilities.

Efforts to agree a strict verification regime for chemical weapons have stalled work at the 40-nation conference, to which Washington and Moscow are also parties.

But over the past 12 months the Soviets have made a dramatic shift from rejecting any kind of on-site monitoring to accepting even the most intrusive, short-notice inspections.

Much of the 150-page INF treaty covers verification measures, and Western negotiators believe this has established the precedent required for a chemical arms convention.

A 1925 Geneva convention, which followed the devastating effects of gas and other chemical weapons in First World War, banned the use of such arms but was never extended to cover production, stockpiling or deployment.

Western military analysts estimate Moscow has an up-to-date stock of around 200,000 to 500,000 tons of chemicals, Mr Gorbachev said earlier this year that Moscow had halted production and was building a chemical weapon destruction facility.

The US stopped making chemical weapons in 1969 but will resume production this month with a new generation of binary, or two-chamber, artillery shells.

According to opinion polls, Mr LaJoie, a Marchais loyalist and former farmer has only 5 per cent support - barely above the rebellious Mr Juquin.

Two deputies from the European Parliament were allowed a brief visit yesterday to two Communist leaders detained after returning to Turkey from exile last month.

Mr Luc Beyer de Ryke, head of the parliamentary delegation that came to Turkey to observe

last Sunday's general elections, told reporters that he and a German parliamentarian, Mr Ludwig Fellmerer, were allowed to see the detained leaders through a glass door for two minutes.

According to State Security Court prosecutors, Mr Kuhn and Mr Sargin have already violated several articles of the Turkish Criminal Code that bars Communist propaganda and the formation of a Communist party.

Renovators get cold shoulder at French Communist Party congress

FRANCE'S Communist Party, which once commanded the votes of one Frenchman in five, opens its two-yearly congress today with support flagging and its ranks split between reformers and old guard, Kester reports from Paris.

But little will be heard of the divide when 9,000 party members gather in the Paris working-class suburb of Saint Ouen for their last get-together before the 1988 presidential elections.

The party has ensured that reformist dissidents, opposed to the rule of veteran leader Mr Georges Marchais, have resigned or been excluded from the congress to pave the way for orderly proceedings.

Disaffection with Mr Marchais' 16-year rule have crystallised around the party spokesman, Mr Pierre Juquin, who is standing in the presidential elections against the party's official candidate.

Mr Juquin and his dissidents, known "renovators", are unhappy with the party's centralised structure, old-fashioned image and loyal pro-Soviet stance.

But Mr Marchais has condemned them as "liquidators" - a phrase which his opponents see as chillingly Stalinist.

Mr Juquin, himself, was expelled immediately after announcing his candidacy. Most

of his supporters have been kept out of official delegations to the congress and the party's leadership is confident of broad support for its line.

The party secretary for regional federations, Mr Paul Laurent, announced last week that 96.17 per cent of congress delegates had approved the resolutions proposed by Mr Marchais.

But while the party has concentrated on stifling opposition, support has taken a spectacular

dive. With 20.6 per cent of the popular vote in 1978, it fell to 10 per cent in last year's general election.

Mr Marchais shocked the party by deciding not to run for president next year. The role of carrying the party's colours fell to Mr Andre LaJoie, soft-spoken leader of the Communist parliamentary group, who has failed so far to generate any excitement on the campaign trail.

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Gold mining concession in Chile.
An application to bid for tender.

The National Copper Corporation of Chile invites companies, consortiums or individuals to participate in an international bid for the exploitation rights of a sector of the El Hueso gold deposit.

The sector is named Pajonales and Maricunga and is situated in Region 3, 70kms southeast of the El Salvador mine, another CODELCO-CHILE operation.

Included in the concession are the rights to the use of the existing mineral processing installations.

To take part, interested parties must register at the Pajonales and Maricunga registration office at the address below from November 30th from 9.30 till 13.00 and 14.30 till 17.00 Monday-Friday until January 29th 1988.

Registration cost is \$10,000 including value added tax, or local equivalent, at the highest exchange rate quoted on the international exchange.

The registration cost includes the right to obtain the bidding conditions, the right to visit the mining areas, and to request background and additional information.

Chilean National Copper Corporation.
Registro de Oferentes Pajonales Y Maricunga
Desarrollo de la Corporacion Nacional del Cobre de Chile
Calle Huerfanos 1313. Tercer piso (third floor)
Santiago Chile.

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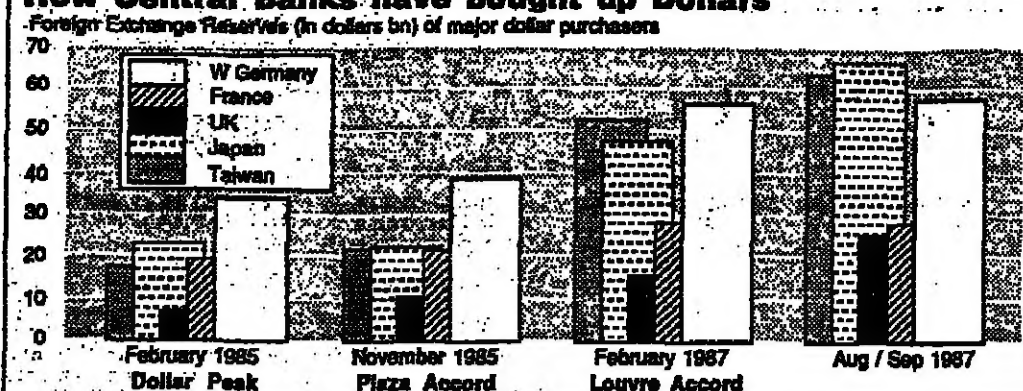
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How Central Banks have bought up Dollars



Bundesbank sets its face against \$ 'target zones'

BY DAVID MARSH IN BONN

THE BUNDESBANK is likely to resist strongly any idea of informal "target zones" for the dollar in any new currency agreement which might be reached by the Group of Seven nations in coming weeks.

The view is gaining ground in the Bundesbank, the West German central bank, that this year's attempts to hold the dollar steady under the Louvre monetary agreement were a contributory factor behind October's stock market crash.

Top Bundesbank officials, in recent statements in both private and public, have expressed strong scepticism about the efforts to stabilise currencies under the February Louvre accord among the leading industrialised countries.

Mr Leonhard Gleiske, the Bundesbank director responsible for international monetary affairs, said in a speech in Manila last Friday that the main reason for the turbulence on the financial markets in October was "the unresolved problem" of US internal and external deficits.

But he labelled the success of the Louvre accord in stabilising the dollar as a "contributing factor". By keeping currencies steady, the accord "shifted the potential for tensions to interest rates; and eventually to share

prices when the bond yields in the US looked sufficiently attractive to provoke a shift out of stocks into bonds," Mr Gleiske said.

He firmly rejected suggestions, made during the past few weeks by Mr James Baker, the US Treasury Secretary, that a mild tightening of the Bundesbank's money market rates this autumn was responsible for the stock market slide.

THE Bundesbank has announced the appointment of a new director, Mr Gester Storch, taking its policy-making council to 15. Mr Storch has been a member of the board of the Landesbank Girozentrale of the state of Rheinland-Pfalz.

Stressing its doubts about the possibilities of dollar stabilisation, the Bundesbank, during the whole period since the February Louvre agreement, has been only moderately active in intervening to support the dollar.

Its dollar reserves, since the beginning of the year have risen by nearly \$11bn. But only a small amount of the total has represented intervention purchases. Well over half the

FF100 on Monday.

amount is understood to represent the central bank's receipt of dollar interest and other dollar income in connection with maintenance of US troops in West Germany. Normally, the Bundesbank would convert these proceeds into D-Marks, but it has refrained from carrying this out in view of the dollar's weakness.

A number of other central banks, led by those of Japan and Britain but also including countries like Taiwan, Sweden and Spain, have been intervening to buy dollars more heavily than the Bundesbank, officials point out. Thus, these countries played a more important direct part in maintaining the dollar rate than did West Germany in the months after the Louvre accord, they point out.

Although the Bundesbank stepped up dollar support intervention yesterday, in concert with other European central banks, its main priority is to steady currencies in the European Monetary System, where the French franc has been weakening again in the last few days.

The franc was fixed slightly higher in Frankfurt yesterday at DM20.41 per FF100, between its EMS floor of DM20.15 and its mid point of DM20.816. This compared with DM20.38 per

Nato looks anxiously beyond INF pact

By David Buchan, Defence Correspondent, in Brussels

THE IMMINENT agreement on intermediate nuclear forces (INF) is beginning to inspire in Nato as much anxiety about the next step in arms control as self-congratulation about the treaty's achievement.

This emerged from the regular autumn Nato defence ministers' meeting in Brussels which started yesterday. Mr George Younger, the UK minister, said the meeting showed allied "anxiety and enthusiasm" for the US position on long-range missile negotiations, which are expected to be high on next week's summit agenda of President Ronald Reagan and Mr Mikhail Gorbachev after they have signed the INF treaty.

However, Mr Younger added that there was a strong conviction among his Nato colleagues that "we should now be moving on to the details, the nuts and bolts," of how to negotiate a verifiable chemical weapons ban and how to correct the imbalance of East-West conventional forces in Europe.

He denied the alliance was afraid of being surprised by another Gorbachev arms control initiative. But Mr Younger and his colleagues yesterday called for immediate work within Nato for a "comprehensive concept" on arms control. "We need a logical game plan," he said.

Perhaps to convince the US that Europe was abhorring its share of the alliance burden, European ministers drew special attention in a communiqué after their meeting here on Monday to the 1988 addition to their forces. These included 250 tanks, 300 fighter aircraft, seven surface warships, three submarines and five minesweepers.

Mr Manfred Womern, the West German Defence Minister, who is likely to become Nato Secretary General next year, warned that after the INF agreement, defence would not become cheaper. West Germany was ready to play its part in keeping up a strong defence.

CHIRAC CALLS VOTE OF CONFIDENCE IN PARLIAMENT

France denies UK hostage claims

BY IAN DAVIDSON IN PARIS

THE FRENCH Government yesterday indignantly rejected British criticisms, official and unofficial, directed against the French conduct of negotiations which led to the release of French hostages held by Iran.

Prime Minister Jacques Chirac's office expressed its "astonishment" at the British comments, and recalled that it was barely 10 days since Mrs Margaret Thatcher, the British Prime Minister, after a brief working meeting with Mr Chirac in Paris, had publicly expressed her gratitude for the professional manner in which French naval forces had intercepted the Panamanian cargo vessel *Elksand II* which was carrying weapons destined for the IRA.

Later in the day, the French Prime Minister's office surprised the political world by announcing that Mr Chirac would call for a parliamentary vote of confidence, to be discussed at today's cabinet meeting.

According to the communiqué issued by the Matignon, the Government needs such a vote of support to accomplish its tasks "of national interest", without being distracted by the timetable of the forthcoming presidential election in May. "In the coming months," it said, "the Government must face up to the problems posed by the monetary and stock market situation, contrib-



Chirac: less lyrical

ute to a greater affirmation of European solidarity, and pursue its policy of security and economic recovery.

Mr Pierre Messmer, leader of the Gaullists in the National Assembly, told journalists that the Government needed to strengthen its position prior to the forthcoming European Community summit in Copenhagen.

Secondly, he said, Mr Chirac wanted approval of his recent actions. The Prime Minister thinks he must verify the confidence of the majority in decisions he has taken in recent weeks during the stock market crisis, and, in recent days, in the hostage affair and France's relations with Iran.

Mr Chirac's move underlines the fact that the prospects of an agreement at the EC summit are dim, with a real possibility that Mrs Thatcher will once again find herself in a minority of one.

Ten days ago, Mr Chirac was lyrical in praise of the convergence of British and French views on all major political issues, which he said contributed to the equilibrium of Europe. He is evidently not so lyrical today, in the face of Mrs Thatcher's undisguised hostility to the French hostage deal. Yesterday, Mrs Thatcher told Parliament she would speak out at the Euro-

A Quai d'Orsay spokesman said the allegations were "totally without foundation" and he added: "One may well wonder what were the motives and the calculations of those who inspired them."

The insinuation of deliberate British malice was echoed in the leading article in yesterday's *Le Monde* newspaper, which asserted that the story in *The Independent* could only have been inspired by the British security services. Yet *Le Monde* was the first to assert, in last Saturday's edition, that the hostage deal included payment of a French ransom. Also the conclusion of yesterday's editorial was far from triumphant: if the Government quickly secured the release of the three remaining French hostages held in the Lebanon, all criticism would be silenced, but if not, questions about the independence of the French judiciary and Iranian abuse of diplomatic immunity would become more pressing.

Yesterday afternoon, Sir Ewen Pargueon, the British ambassador, called on the secretary general at the Quai d'Orsay. The visit, which took place at his own request, was evidently intended to seek further clarification of the details of the hostage negotiations. The embassy declined to comment on the discussions.

Yugoslav debt proposals hang on IMF team visit

BY ALEXANDAR LEBEL IN BELGRADE

AN International Monetary Fund team is due to start talks with Yugoslav authorities today. Although the visit is a regular one under the enhanced monitoring arrangement with the IMF, it is significant since the Yugoslav programme for restructuring its foreign debt depends on the team's findings and recommendations to the IMF board of governors.

Both the Government and bank creditors have made their support for the programme conditional on the IMF stamp of approval.

The Yugoslav Government accepted in principle many of earlier recommendations of the IMF (as well as World Bank and other institutions), such as liberalisation of the exchange rate policy, of imports and even of prices, although it feels that the latter cannot be done at the moment.

The dinar depreciated last month by more than 40 per cent.

Thatcher stands firm on farm spending controls

BY PETER REDDELL, POLITICAL EDITOR

BRITAIN'S Prime Minister, Mrs Margaret Thatcher, last night insisted that "effective and binding controls" over agriculture expenditure was an essential prerequisite to any agreement on the EC budget at this weekend's heads of government summit in Copenhagen.

She stressed Britain's insistence on adequate stabilisers, linking subsidies and production ceilings, on a product by product basis.

Mrs Thatcher re-stated the British position in discussions in Downing Street with Mr Poul Schlüter, her Danish opposite number, who chairs the summit meeting, and Mr Uffe Ellemann-Jensen, Denmark's Foreign Minister.

The two Danish ministers yesterday also held talks with Chancellor Helmut

Kohl in Bonn and Mr Giovanni Goria, the Italian Prime Minister, in Rome as part of a last-minute effort to reconcile splits over EC finances.

The British view remains firm on the need for legally binding controls on farm spending rather than a temporary compromise.

Mrs Thatcher said that Britain still wanted to reach agreement this week-end since there would have to be a solution to the Community's budgetary problems at some time, so it made more sense to reach it now rather than wait to make another attempt next year.

Britain would also not agree to any change in the 1984 rebate agreement which would increase its net contributions.

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It's not a sight you're likely to see in many leading investment houses.

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To overcome this, we at LIM have our own independent research team which sifts through existing research with a fine tooth comb.

And in their normal course of duty our analysts visit companies, carry out their own research and follow world economic trends.

Thus enabling us to identify brand new investment opportunities.

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may have escaped the attention of the competition.

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For further information please call Keith Jecks or Godfrey Hemsley on 01-600 4500.



OVERSEAS NEWS

Lagos sanctions row fails to halt Thatcher visit

BY MICHAEL HOLMAN, AFRICA EDITOR

MRS MARGARET THATCHER, the British Prime Minister, is going ahead with a visit to Nigeria in January despite a row in Lagos about the invitation from President Ibrahim Babangida.

The visit to Nigeria from January 7-8, which will follow a three-day stay in Kenya, was officially announced yesterday by the Prime Minister's office. There had been speculation that the Lagos leg of Mrs Thatcher's visit, her first to Africa since the 1979 Commonwealth conference in Zambia in 1979, would be called off.

News of her plans, disclosed in October, prompted widespread criticism from Nigerians angered by Mrs Thatcher's anti-sanctions views on South Africa, which were forcefully expressed at last October's Commonwealth conference in Vancouver. She also raised the ire of Nigerians - and others - by referring to the African National Congress of South Africa as a "terrorist organisation".

The Nigerian Government has none the less gone ahead with the invitation in part because President Babangida, head of

AFRICAN leaders proposed radical measures to solve the continent's debt crisis yesterday including a 10-year suspension of payments to service its \$260bn debt. Reuter reports from Addis Ababa. A special two-day summit of the Organisation of African Unity also called for all the debt to be rescheduled over 50 years, without interest, and asked for more aid and an international conference next year to discuss these proposals with Western creditors.

black Africa's most powerful state, wishes personally to express his Government's opposition to Britain's South Africa policy. President Babangida did not attend the Vancouver summit.

But a further factor is the support Britain has given to Nigeria's economic recovery programme. Britain provided a short-term loan to fund the early stages of the country's foreign currency auction system, and earlier this year the Export Credits Guarantee Department agreed to restore cover to the UK's most important trading partner in black Africa.

Mervyn de Silva reports on a new threat to Sri Lanka's stability

Colombo confronts southern threat

WHEN Mr Ronnie de Mel presented his eleventh budget to the Sri Lankan parliament on November 17 he established a remarkable local record. But equally noteworthy was the passage which ended his budget speech - a dramatic personal appeal to a guerrilla leader to lay down arms and join the mainstream of politics.

"I now call upon Mr Rohana Wijeweera, who has been known to me since 1962, to respond to this magnanimous offer" - President Jayawardene's offer to lift the ban on Mr Wijeweera's socialist, extremist People's Liberation Front (JVP) and grant a general amnesty if he renounced violence. Mr de Mel had sound personal, political and economic reasons for his departure from tradition.

On December 4, when Sri Lanka's donors meet in Paris at a special World Bank-sponsored meeting, Mr de Mel will have a strong case for his request for about \$400m to repair the infrastructural damage caused by the four year insurgency in the Tamil north and to rehabilitate 100,000 families. Indian troops have pacified the peninsula and the Tamil Liberation Tigers, though still defiant, are licking their wounds in the jungles outside Jaffna.

Nonetheless, Mr de Mel can expect to face a few awkward questions about an incipient youth insurgency in the Sinhalese south and the seriousness of the JVP threat to Sri Lanka's stability.

Seven members of a Tamil family were shot to death by police in eastern Sri Lanka yesterday and a Sinhalese mayor was wounded in an attack blamed on Sinhalese extremists. The Tamils were killed at

The political violence now sweeping the Sinhalese south is potentially a greater threat to Sri Lanka's stability than Tamil separatism and is reflected in an extraordinary circulation battle between state-owned Lake House Press and its rival, Island Group.

On Sunday night a bomb exploded in the Kaduwela home of Mr Edmund Ranasinghe, editor-in-chief of Divaina, the mass-circulation Sinhala paper of Island, just outside Colombo.

Over the weekend, two policemen were attacked at Kotte, four miles from the city, and their rifles seized by unknown gang. An inspector of police died after a bomb attack on Saturday at Eheliyagoda, 50 miles south-east of Colombo, while armed men raided the home of an MP's private secretary in Panadura, 15 miles south of Colombo, and a former prominent JVP member was shot dead in Anuradhapura, 150 miles north of Colombo.

Three policemen have been suspended for alleged links with the proscribed JVP.

An island editorial this week entitled 'Towards Anarchy?' said: "Political crimes and acts of political terrorism are on the

march at a frightening pace. Assassination, bomb attacks and assault are as common in the south as terrorism was once in the north. Sometimes it is difficult to even trace from where such actions might have emanated. While leading government politicians are saying that it is not fair to blame the JVP for all incidents, there are now reports that the ruling party itself is mobilising its cadres to defend party men with arms.

Lake House Press has become one of the largest publishing firms in the region. Today, it publishes five dailies, three Sunday papers (Sinhala, Tamil and English) and a dozen weekly and fortnightly journals. In 1978 Mrs Anura Bandaranaike's Government nationalised Lake House, now directly controlled by President Jayawardene, whose former private secretary, a one-time Lake House advertising manager, is now chairman.

The Divaina is a vigorous champion of Sinhala-Buddhist causes and an unrelenting critic, despite official pressures, of the Jayawardene-Gandhi peace accord. Its readership covers both the large conservative Sinhala middle class constituency of the Bandaranaike-led socialist Sri Lanka Freedom Party (SLFP) and the narrow, but more radical, lower-middle class discontented youth, the JVP's base.

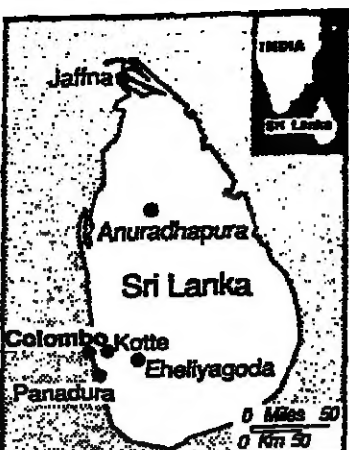
Each morning, delivery vans take off on their island-wide distribution from the imposing Lake House building. In each van, riding shotgun wild west fashion, are three armed guards in uniform. Recently they shot dead two youths who tried to stop a convoy on a lonely road a long way from Colombo. Police claimed the dead youths were JVP "subversives". The practice of using armed guards began after two Lake House vans were ambushed, the papers made into bonfires, the drivers assaulted.

The "subversives" soon found the newspapers an easier target than the distribution vans. Young men, called on newspapers to sell only Lake House papers and "persuaded" them that it was unpatriotic to do so. For the less receptive, violence and terror tactics (some bombs, a few killings) followed. The newspapers, especially in the JVP stronghold of the deep south, got the message.

Lake House tried to laugh it off but it was rattled. A front page pocket cartoon showed a "subversive" whispering in some innocent's ear. The caption underneath read: "Despite rumours that are being spread to misguide the public, readers are informed that the circulation of all our publications is being carried out island-wide as usual."

The privately-owned Island group and the Sun newspapers have seen the obvious benefits of the obvious benefits. The chairman of a local council did so, somewhat shyly, in small print. Below it appeared the following cartoon next day: "You were an art teacher for 30 years. Kindly express yourself more freely. We did not mean to cramp your style."

The target can save himself by announcing his resignation from party or office with a notice displayed on the wall of his home. The chairman of a local council did so, somewhat shyly, in small print. Below it appeared the following cartoon next day: "You were an art teacher for 30 years. Kindly express yourself more freely. We did not mean to cramp your style."



Since 62 officials of the ruling United National Party (UNP) have been killed in the south since the peace accord, police appeals not to sell or distribute Lake House papers are taken seriously. The quiet terror campaign in the village has touches of undergraduate humour, mischief and macabre.

The target can save himself by announcing his resignation from party or office with a notice displayed on the wall of his home. The chairman of a local council did so, somewhat shyly, in small print. Below it appeared the following cartoon next day: "You were an art teacher for 30 years. Kindly express yourself more freely. We did not mean to cramp your style."

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Vanuatu's government heads for re-election

By Chris Sharwell in Sydney

VANUATU'S ruling party appeared to be heading for victory yesterday in the South Pacific state's second elections since it gained independence from Britain and France as the New Hebrides condominium.

Unofficial results showed Prime Minister Walter Lini's Vanuatu Party had captured 17 seats. The opposition Union of Moderate Parties had won 11 seats in the expanded 42-member parliament, poll scrutineers said in Port Vila, the capital.

Official results are not expected before the weekend when the remaining 60 per cent of the vote will have trickled in to the capital from outlying points in the chain of 80 islands.

Father Lini, an Anglican priest who has led Vanuatu since independence in 1980, was returned comfortably, scrutineers said. The 45-year-old leader has drawn the ire of the political opposition and the West by opening diplomatic links with Moscow earlier this year.

While immediate attention is focused on the size of the social-inclined party's majority, the real interest lies in the country's future leadership. Father Lini suffered a severe stroke earlier this year and there have been suggestions he would stand down.

Speculation is intense about a possible successor. The front runner is said to be Mr Barak Sope, the party's secretary-general, a supporter of Vanuatu's controversial links with Libya.

Earlier this year plans were revealed for the establishment of a Libyan diplomatic mission in Port Vila. These have been postponed indefinitely, but some young Vanuatu men have received training in Libya.

Vanuatu was one of the first countries to make itself "nuclear free" by denying access to nuclear ships, or nuclear-powered ships. It is also a key member, along with Papua New Guinea and the Solomon Islands, of the so-called Melanesian "speared group", a diplomatic alliance which strongly backs French de facto possession of neighbouring New Caledonia.

Japan's jobless trend down

By Ian Rodger in Tokyo

JAPAN'S strong recovery since the spring has dispelled fears of a year ago that the country was developing a European-style unemployment problem as mature industries contracted.

Figures were released yesterday showing a third monthly fall in unemployment with the seasonally adjusted rate down 0.1 per cent in October to 2.7 per cent. The ratio of vacancies to job seekers, often taken as a better indicator of real employment trends, rose to 0.78 in October compared with 0.61 a year ago. It is now at its highest since December 1979.

The Labour Ministry said there were still pockets of high unemployment, but the overall trend was encouraging. Job offers were increasing in most sectors compared with a year ago up 42.1 per cent in the transport, telecommunications industries, 40.6 per cent in manufacturing, 30.8 per cent in construction, and 20.5 per cent in services.

Most analysts remain optimistic about the economy. Japanese newspapers suggested yesterday the Government Economic Planning Agency would set a growth target of 3.7 to 4 per cent in the 1988 fiscal year compared to 3.5 per cent this year.

Unfairness alleged in Korea vote

By Maggie Ford in Seoul

MR KIM DAE JUNG, the South Korean opposition presidential candidate, yesterday accused the ruling party of trying to buy votes, put pressure on opposition supporters and manipulate the media in the run up to this month's election.

The candidate, now so widespread that if Mr Roh Tae Woo, the ruling party candidate, won the election, the result was likely to be unacceptable to the public, he said. Echoing complaints made by Mr Kim Young Sam, the main rival opposition candidate, Mr Kim Dae Jung said that television film of the campaign was biased in favour of Mr Roh, and that government officials were actively electioneering on his behalf.

Family members of potential party supporters had been threatened with dismissal, with a visit from the taxman, or with the withdrawal of passports for travel abroad, he said during a speech at the Seoul Foreign Correspondents Club.

He called on the Government to replace the Ministers for Home Affairs, Culture and Information, Defence and Justice before the election to ensure fairness.

Voters living in cities polled by the influential Dong A Ilbo newspaper yesterday appeared to agree with Mr Kim's charges. Of those polled, 66 per cent thought the media was biased, and 67 per cent thought officials were intervening in the campaign.

Analysts believe that voters in rural areas have received most of the largesse. The city of Taejeon is one exception. Many voters may be undecided, and 84 per cent of those polled reported receiving a gift.

Emirates

The Financial Times on November 30 suggested in error that Emirates, the Dubai-based airline, had 16,000 seats to London each day. In fact, it has 181 per day.

Hong Kong dispute on garrison persists

BY DAVID DODWELL IN HONG KONG

A DISPUTE between the Hong Kong Government and Whitehall over the size of Britain's army presence in the territory, and how costs should be shared up to 1997, could come before a UK Government Cabinet committee in the next two weeks, officials in Hong Kong revealed yesterday.

Foreign Office officials who support Hong Kong demands that Britain shoulder a larger share of the costs have faced deadlock with Treasury and Defence Ministry officials reluctant to alter the present arrangement under which Hong Kong pays 75 per cent of the total cost of maintaining a British garrison in the territory.

Officials said they were puzzled by weekend rumours that Britain had agreed to raise its share of costs to 40 per cent.

The present defence costs agreement, which was signed in 1981 and expires in March next year, committed the Hong Kong Government to pay just over HK\$1.7bn (\$218.7m) this year

out of the total HK\$2.29bn garrison cost.

This agreement was reached after a protracted dispute, and officials in Hong Kong fear the new agreement, which is likely to change defence costs right up to the transfer of Hong Kong's sovereignty to China in 1997, will be even more contentious.

Britain and China have agreed that until 1997, the police should assume responsibility for some of the roles performed by the current 8,000-strong garrison - including border patrols.

This will involve bigger police budgets and Hong Kong officials continue to hope that this extra cost can be offset against lower spending on the military.

In addition, politicians in Hong Kong have in recent years grown increasingly indignant at the UK Ministry of Defence's refusal to itemise the cost of maintaining the garrison.

This is partly because the ministry charges to the Hong Kong garrison, a number of notional costs linked to Britain's overall military spending.

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WORLD TRADE NEWS

Yeutter urges closer Gatt ties for trade ministers

BY PETER MONTAGNON IN GENEVA

TRADE ministers should become more directly involved in providing political leadership for the trade liberalisation process in the General Agreement on Tariffs and Trade, Mr Clayton Yeutter, US Trade Representative, said yesterday.

Reviving a proposal originally launched before the current Uruguay Round of trade liberalisation talks, he told the Gatt annual meeting it was no longer possible to leave trade policy discussions to technical experts. "The time has come seriously to evaluate whether greater ministerial involvement in the Gatt might not reduce the time spent in bilateral meetings and increase the likelihood of resolving differences," he said.

Greater ministerial involvement might also help establish a continuing process of negotiation that would not be based on distinct rounds of multilateral trade negotiations. Mr Yeutter spoke as a succession of trade ministers welcomed plans for a mid-term review of the Uruguay Round to be held late next year, though several, including Mr Michael Duffy of Australia, and Mr Michael Moore of New Zealand, stressed the need for such a review to produce specific results. Mr Mahbub ul Haq, Pakistan's

THE European Commission will seek compensation from the General Agreement on Tariffs and Trade, if the Japanese Government does not implement a "comprehensive" reform of its liquor tax system, Ian Rodger writes.

Mr Andreas Van Agt, head of the EC mission in Tokyo, said the EC was looking for a rapid solution to the problem after a recent report of a Gatt disputes panel condemning Japan's liquor tax system for discriminating against imports.

Japanese Government leaders have hinted they would probably introduce legislation to revise the liquor tax system in 1989, with the reform taking place some time after that. Mr Willy de Clercq, EC Trade Commissioner, and Dr Karl-Heinz Narjes, vice-president of the EC, will visit several Japanese government leaders this week, and the liquor tax issue is expected to be high on the agenda.

Trade Minister, said specific agreements reached by the time of the mid-term review could be

made conditional on finalisation of the rest of the package by 1990 when the Uruguay Round is scheduled for completion. Agriculture, trade in services and, particularly textiles, should be included in the list of topics for urgent priority.

It appeared there was a silent compact between some developed countries and the highest quota recipients in the developing world to place the textile issue on the back-burner, he claimed. "We simply cannot accept this conspiracy of silence."

In an apparent effort to deflect pressure for speedier progress on agriculture, Mr Willy de Clercq, EC Trade Commissioner, warned there should be no special priorities in the Uruguay Round, with the exception of tropical products. Liberalisation of trade in agriculture must be a gradual process, even if short-term action is needed to stabilise markets. Total and unbridled free trade in agriculture was "not within our grasp. It is an illusion," he said.

Japan will submit proposals for the reform of world agriculture to the General Agreement on Tariffs and Trade before the end of this year, Mr Shōichi Uno, Foreign Minister, said yesterday.

US move on Airbus dispute

THE US is expected to ask European governments today to accept a minimum price mechanism as part of a settlement of the dispute over Airbus aircraft, William Dullforce and Peter Montagnon write.

Mr Michael Smith, US Deputy Trade Representative, is due to submit the proposal during talks among experts ahead of a key meeting in Brussels on December 11 between Mr Clayton Yeutter, the US Trade Representative, and Mr Willy de Clercq, EC Trade Commissioner.

The US has charged the four Airbus countries - France, West Germany, Britain and Spain - with unfair trading practices. It alleges government subsidies, cross-subsidies to sell its aircraft at cut prices in competition with Boeing and McDonnell-Douglas, the US manufacturers.

Both sides at their last ministerial meeting in London on October 27 agreed to try to defuse the dispute.

Mr de Clercq said yesterday that there was still a possibility of resolving the dispute. Trade officials expect this December 11 meeting to agree an extension of talks into the New Year. Contrary to earlier expectations, ministers from Airbus countries are no longer scheduled to attend.

Peter Montagnon and William Dullforce on a thorny issue for Gatt
Moscow waits at the trade door

LITTLE HAS been heard in public of the Soviet Union's desire to join the General Agreement on Tariffs and Trade since it was roundly rebuffed by the US and some other industrial countries last year. Behind the scenes, however, the issue is far from dead.

Mr Mahbub ul Haq, Pakistan's Trade Minister, told a symposium in Geneva this week that Gatt should open its doors to the Soviet Union, reflecting the view of many trade policy-makers that in the medium-term Soviet membership of Gatt is not only likely, but also desirable if the organisation is to be a really effective policeman of the world trading system.

The issue of Soviet membership of Gatt remains overshadowed by the Uruguay Round of trade liberalisation talks. It is also a highly-charged political question. But more than discreet interest on the part of Moscow keeps the issue simmering. The debate also raises the question of whether Soviet membership would help Mr Mikhail Gorbachev, the Soviet leader, pursue his policy of market-oriented economic restructuring.

US rejection of the Soviet application was based on a desire not to disrupt the Uruguay Round, but also on a belief that Gatt rules simply cannot be adapted to a state-run economic system. This is an argument that is increasingly hard to justify as

China edges closer to renewing its membership and is offering gradually to lift state control over key domestic prices.

Ironically, Chinese exports, which are likely to be increased by membership of Gatt, also pose more of a threat to world trade than those of the Soviet Union. Whereas Soviet export potential is mainly in raw materials and semi-finished products, China's strength is low-cost manufactured goods like textiles and garments, which have always been contentious in international trade policies.

Mr Willy de Clercq, the EC Trade Commissioner, drew a further distinction between the two countries yesterday when he said that China's membership application was already on the table, whereas the Soviet Union has taken no formal steps to apply.

But he refused to rule out Soviet membership for all time. "I'm concerned that Gatt should function well. That means it has to be as universal as possible. But it also has to be coherent and based on the principles of the free trade system."

A closer look at the issues at stake reveals an extraordinarily complex set of problems. Gatt already includes state sector economies such as Poland, Hungary and Czechoslovakia. It is felt these can be accommodated because they are small and have little influence on the trading system as a whole. To admit



Mahbub ul Haq

a large Communist country such as the Soviet Union would alter the balance dramatically. It could mean Gatt making room for the Soviet way of doing things, not the Soviet Union adapting to Gatt's rules.

Gatt rules outlaw both quota restrictions on imports and arbitrary tariffs. In a state-run system, import volumes and prices for a given period are centrally planned. This implies both import restraint and that tariffs can be charged at will. Again, how could Gatt determine whether a product man-

ufactured in a state-run economy was being sold internationally without the benefit of subsidy? If it could not evaluate production costs, it would be unable to adjudicate on disputes over dumping.

The received wisdom in the West is that for all the fanfare surrounding perestroika and the greater freedom of Soviet enterprises to manage their own imports, the shift towards a market system is more apparent than real.

For many economists, belief in China's promises of market liberalisation is also an act of faith - though one worth taking, not least because of the potential for Western exports.

The inference of Mr Ul Haq's vision of a universal Gatt is that the organisation would have somehow to adapt its rules to cope with a radically different balance of membership. He made clear in his remarks this week that he believes a Gatt with several membership would strengthen the institution and give it greater appeal to developing countries.

The US rejection of Soviet overtures suggests a fear that essential disciplines would be diluted, weakening the organisation.

It may not be too long before Gatt has to make a fundamental choice between these two international systems.

Siemens in joint deal with China

By David Marsh in Bonn

SIEMENS, the big West German electrical company, is forming a joint venture with China to produce digital switching equipment as part of an attempt to boost the country's expertise in public telecommunications.

The deal, announced yesterday, also includes a plan for joint microelectronics production through a technology transfer accord.

Siemens will also build a technology centre in which 500 Chinese specialists a year will be trained by the German company. The agreement appears similar to technology transfer deals over telecommunications which China has clinched in the past with other western companies such as the French Compagnie Generale d'Electricite group.

These steps follow a basic framework accord signed between Peking and Siemens in 1985 setting out plans for cooperation in electronics and engineering.

Siemens Kraftwerk Union (KWU) power station division has also been in contact with the Chinese for several years over the question of building nuclear power plants in China.

Swiss arms group wins \$2bn order

BY WILLIAM DULLFORCE IN GENEVA

OERLIKON-BUEHRLE, the Swiss armaments and industrial group, in association with Martin Marietta Corporation of the US, has received a crucial \$2bn order from the US Army for its Adats low-level anti-aircraft missile system.

The Pentagon contract for the Adats has been won in competition with British Aerospace's Rapier, the Liberty developed by France's Thomson CSF and the French-German Paladin. The order is decisive for the future of the Swiss concern, which expects to show a loss for the second year running in 1987.

Oerlikon and Martin Marietta have contracted initially to supply 170 Adats systems to equip four US army divisions. Altogether, the Pentagon expects to

buy 572 systems over 10 years.

Adats won its first order last year for 36 units to equip Canadian forces stationed in West Germany. After that contract Mr Michael Funtke, Oerlikon's managing director, said it would have to sell a further 300 to turn a profit on its \$577,000 investment in developing the system.

Yesterday, the Swiss company described the Pentagon contract as a decisive breakthrough, opening the way for orders from other Nato countries. Oerlikon is already negotiating with Turkey. The first 60 units for the US Army will be manufactured in Canada by Oerlikon Aerospace, the subsidiary established there to handle the Canadian order. The remainder will be built by Martin Marietta.

Canadair's C\$410m deal

BY ROBERT GIBBENS IN MONTREAL

CANADAIR, Canada's largest aerospace group, is to manufacture unarmoured airborne surveillance systems for the West German and French armed forces under a C\$410m contract with the governments of Canada, Germany and France.

Canadair, a world leader in

surveillance systems technology for 25 years, is prime contractor for the initial production order for the CL-289 system, with Dornier of West Germany main subcontractor. SA de Telecommunications of France is supplying the optics.

Amec wins \$130m gas contract in Turkey

By David Marshall in Ankara

AMEC International of the UK and Katharine Innes of Turkey have won a \$130.2m gas contract for the first stage of converting the Ankara gas network to use Soviet natural gas.

The deal is the largest civil contract won by a British-led consortium in Turkey for more than a decade. The Ankara Gas of large British-owned consortium, the country since World War II has been the first Soviet gas bridge and one or two power stations.

Amec's victory was substantially assisted by the fact that the British-led consortium had been studying for the conversion work carried out by British Gas and submitted in March this year.

During the last few weeks the Ankara Municipality had asked bidders to reduce their prices. The provision of very soft loan terms seems to have been chiefly responsible for Amec's victory over a strong challenge from Italian firm (Eni).

Britain is making \$26.6m available at 1.75 per cent over 20 years with a five year grace period. This covers 85 per cent of the UK element in the construction cost.

The conversion of the city's network to natural gas is seen as the solution to pollution problems in Ankara and other major cities. Ankara has the worst atmospheric pollution of any European city.

Turkey is importing 500m cubic metres of Soviet natural gas this year, with the extension of a pipeline from the Balıkesir border to Ankara. The government plans to extend the pipeline to Kayseri, Konya, and other central Anatolian cities in the next five years.

Purchasers of Soviet natural gas will rise to 2,500m cubic metres by 1990 and eventually to 6,000m cubic metres.

A similar award to convert the Istanbul gas network to natural gas has been awarded to SAZ (Societe Auxiliaire des Gaz) of France and Alkath of Turkey at a cost of about \$194m.

Turkey plans to use more than half of the imported gas for generating electricity, and about a quarter of it for industry.

Payment for 70 per cent of the gas is being made through a barter agreement. Several Turkish construction companies are negotiating deals to build hotels and other projects in the Soviet Union under the barter agreement.

Sharp falls in new car sales forecast for W Europe, US

BY JOHN GRIFFITHS

SHARP FALLS in new car sales next year in the US and Western Europe are being forecast by a new industry analysis, in the wake of the stock markets and dollar collapse.

Consultants DRI Europe, in post-crash revisions to the World Automotive Forecast Report, it published last month, says it expects US sales to fall by 10 per cent, while Western Europe will see a 15 per cent drop.

However, Mr John Lawson, of the London-based Institute, is taking a more gloomy view. He predicts that the US market will shrink to 6.5m units next year, down from 7.5m in 1986, with European luxury car sales expanding the sharpest decline in percentage terms and their manufacturers having to cut prices by 20-25 per cent over the next two years.

Described in Western Europe as likely to drop by about 500,000 units to 1.1m, according to DRI, while Lawson's analyst expects a fall of about 600,000 units.

Even DRI's revised forecasts were made in advance of Monday's further collapse of both markets and the dollar.

But the renewed markets weakness appeared to best on DRI's contention that "the dollar will continue to slide with or without Group of Seven action, causing a reassessment of the global balance of automobile production."

Even the lower level of US sales will be achieved only by buyer incentives, predicts DRI.

"For the first time in years, Japanese manufacturers are facing inventory problems. Even the Europeans have launched incentive programmes."

The situation is being exacerbated by General Motors, with its shrinking market share, being unable to afford another bad sales year.

Already, "for the first time in years, Japanese manufacturers are facing inventory problems," DRI points out. "Above the Europeans, including Daimler-Benz, BMW and VW, have recently launched major incentive programmes."

Meanwhile, the Japanese, facing a stagnant home market, could expect to increase US sales from 2.6m to 3.4m over the next five years "by increasing manufacturing in the US by almost 100,000 units."

However, DRI predicts this can be expected to lead to overcapacity in Japan in the next two to three years, a threat which the Japanese would meet - initially at least - by building fewer cars rather than shutting plants. About 10 per cent of Japanese output is produced on overtime, according to DRI's estimates.

For the European market, Mr Lawson suggests, the intensified competition will mean a 10 per cent drop in US unit sales and substantial profit pressures.

Lower demand in Europe will lead to production dropping by 444,000 units next year, to 11.5m, DRI predicts, with West Germany bearing the brunt of the cut.

West Germany's predicted output drop, to 4.1m from 4.8m, reflects both a fall in demand in its domestic market and the US, its single largest export market.

From now on, the US is seen as a bright spot, despite DRI's forecast that next year's new car market will drop back sharply, to 1.8m from this year's expected record 1.97m.

The output improvement, says DRI, will come from Ford and Vauxhall sourcing more cars domestically. Peugeot Talbot starting production of the Peugeot 405, Nissan's UK-assembled cars reaching 60 per cent local content and thus qualifying as "British", and higher production by Rover and Jaguar, particularly for export markets.

As a result, production should rise from 1.17m units this year to 1.24m in 1988, to reach 1.4m in 1990, "thus regaining its fourth place in the European car output league," DRI predicts. Spain is expected to overtake Japan as the DRI expects Japanese penetration of the European market to grow only slightly, while the European Commission prepares overall import restrictions in preparation for the planned EC market harmonisation in 1992.

Industry representatives said the BP plan threatened to bypass the joint distribution structure set up through reorganisation of the Campes monopoly, and ease the way for BP and other foreign companies to enter the Spanish petrol market. It could also be an obstacle to a merger between private sector Spanish refineries which have been rethinking their strategy in view of impending liberalisation.

Petroleum is a shareholder in Campes, with three other private sector refineries and the recently renamed state group Redi. Campes will continue to distribute their products through a network of service stations. The refineries themselves also operate service stations.

The aim of the Campes reform, carried out three years ago, was to strengthen the position of the Spanish oil distribution industry and to oblige foreign competitors either to set up their own distribution infrastructure or to negotiate agreements with Campes.

The US Export-Import Bank has agreed to back a \$15m sale of telecommunications equipment to Israel, writes Nancy Dunne in Washington.

The deal involves Tadiran of Tel Aviv, Israel's largest electronics manufacturer, using US equipment to provide cable television to Israeli cities.

US suppliers involved include Atlanta Signal, R-Tec Systems, GTE Telecom Division and Motorola.

Israel telecoms deal

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A FINANCIAL TIMES SURVEY

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MONDAY JANUARY 4TH, 1988

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Contras outline Nicaraguan ceasefire plan

BY PETER FORD IN MEXICO CITY

NICARAGUAN REBEL leaders yesterday proposed a five-year truce in their war against the Sandinista government, but demanded that Managua dismantle its army among other steps to bring peace to Nicaragua.

President Daniel Ortega said his government would "analyse" the Contra plan, but it was "very closely" analysed. However, the Sandinistas seem highly unlikely to accept demands that they disarm their army or their grassroots party structure in return for peace.

A Sandinista negotiating team is expected to discuss the Contra proposal in a first round of indirect talks with the rebels in the Dominican Republic later this week.

The Dominican Republic earlier this week agreed to provide the site for ceasefire negotiations. Finding a meeting place acceptable to both sides has been a serious obstacle to the proposed talks on a ceasefire - a key element of a regional peace plan signed on August 7 in Guatemala by the presidents of the five Central American countries.

Major Ricardo Wheelock, the Sandinista military intelligence chief leading Managua's negotiating team, said he would not meet with the Contras. This objection is to be overcome by using Nicaraguan Cardinal Miguel Obando y Bravo as a mediator. He is due to fly to Santo Domingo on Thursday.

The rebels are expected to send members of a ceasefire commission to discuss their plans, which call for Managua to



Ortega - no quick fix

lift its state of emergency, release all political prisoners, end the military draft, suspend food rationing, and dismantle Sandinista defence committees, revolutionary neighbourhood organisations.

The rebels are also suggesting that the Sandinista army should disarm itself gradually, along with Contra troops, prior to the creation of a new, smaller national army.

Meanwhile, Contra soldiers would remain in place throughout the half of the country in which they claim to operate.

Last month, President Daniel Ortega announced a ceasefire proposal under which the Contras would gather in three designated zones to hand in their weapons under international supervision before taking an amnesty.

Leading indicators in US fall 0.2%

THE US index of leading indicators fell 0.2 per cent in October, the Commerce Department said yesterday. It was the first decline in nine months for the government's chief economic forecasting tool, AP reports from Washington.

The decrease was a smaller setback than many economists had been expecting, considering the record 5.08-point drop in the Dow Jones industrial average on October 19.

In addition, the September figure, which initially had been reported as a 0.1 per cent decline, was revised upward to show no change at all.

The index, comprised of 11 forward-pointing business barometers, has taken on new importance since the collapse of the stock market as analysts search for signs of whether a recession might be on the way.

In the past, three consecutive monthly declines in the leading index have sometimes signalled an impending recession.

Some analysts are forecasting that the economy will be in a recession by the first half of 1988. Others contend that the plunge in the stock market is only a sign of slower economic growth.

The latest economic data show that in the third quarter before the crash the US economy was moving ahead strongly.

A slick Soviet PR machine has taken Washington unawares, Stewart Fleming reports

Gorbachev peace offensive draws first blood

A DIET of unremitting cold war propaganda in the early years of the Reagan Administration has left the American public ill-prepared for the peace offensive launched from the Kremlin's Council of Ministers building on Monday night by Mr Mikhail Gorbachev, the Soviet leader.

"Gorbachev up close and affable" was the judgment offered this morning by Mr Tom Shales, the Washington Post's television critic, in his review of the Soviet leader's hour-long television interview in Moscow with Mr Tom Brokaw of the NBC television network which was broadcast nationwide on Monday night. "Tough but co-operative," was how the New York Times described his performance.

The adjectives used to describe Mr Gorbachev's performance may vary. But the judgment of the first extended television interview Mr Gorbachev has granted an American television reporter remains the same. In the pre-summit propaganda war which is now in full swing Mr Gorbachev has drawn first blood, outcommunicating the Great Communicator himself in his own backyard.

On the same day Mr Gorbachev's charm was oozing into American living rooms. "I have felt an immense desire to see the American people to change the situation in the world for the better," he told an audience he referred to as "my American viewers".

President Ronald Reagan, still on the defensive, had chosen to try to rally fading support



Reagan and Gorbachev at their last meeting during the Reykjavik summit

among right-wing Republicans and buttress his negotiating position with his Soviet rival. Addressing the conservative Heritage Foundation, Mr Reagan found himself promising to deploy the strategic defence initiative and begin what many of Americans fear will fit Mr Gorbachev's description of "the militarisation of outer space".

While Mr Reagan was painting the Soviet Union as a nation which violates human rights at home, makes war in Afghanistan and threatens American security in Nicaragua, Mr Gorbachev was appealing over the President's head to the American people for the start of a new era of US/Soviet relations.

Why not, he was asked, go for a great reduction in nuclear missiles and make EDF unnecessary? "Well, that precisely is what I suggested to President Reagan in Reykjavik," retorted the quick-witted General Secretary of the Soviet Communist Party.

Animated a wry smile playing around his lips as he spoke, Mr Gorbachev looked anything but the leader of an "evil empire". No doubt he went too far when he pleaded with his audience: "Why can't we be allies now? There are so many problems in the world. Can't we join, pool the enormous might of our countries' economic and intellectual capacities to resolve these problems?"

Americans are always ready to welcome a visitor bearing an

olive branch, but they are not yet soft-headed. Neither will they have missed the hint of the tough Communist Party boss which surfaced when he suggested that America is "organising a brain drain" from the Soviet Union when it calls for freedom of emigration from the Soviet Union.

Nor will they have missed the hint of Soviet insecurity when he boasted about Soviet food consumption and criticised America's failure to provide health care and full employment for its citizens. Americans look at these issues through different eyes and will not give Moscow the benefit of any doubts they may harbour.

But there were few false notes

in a performance which must have left Mr Reagan's advisers green with envy. Their man has been hiding from the American press for most of the past year and they are even now not quite sure they can trust him to carry off a post-summit press conference, so ill at ease is he with the technical and factual details of the topics which Mr Gorbachev has mastered. (Mr Gorbachev has already booked his press conference slot.)

Soviet experts in Washington who have experienced Mr Gorbachev's charisma have warned that if he uses the public platform too effectively in his first visit to America he could weaken Mr Reagan's position in the debate over defence spending at home as well as at the negotiating table. Unlike Mr Nikita Khrushchev or Mr Leonid Brezhnev, who also visited the US, Mr Gorbachev does not come across as a threatening or implacable foe.

The struggle to influence American and world public opinion in the summit context is only just beginning. But there may well be relief in high places that Mr Reagan's desire to take Mr Gorbachev on a tour of the country is unlikely to be fulfilled.

A plunging stock market and a New York Times/CBS poll showing that for the first time in four years Americans disapprove of Mr Reagan's handling of the economy and foreign policy are an inauspicious background for such a venture. And Raisa has not even joined her husband on the summit stage.

Sarney backs away from Brazil wealth tax plan

BY IVO DAMIAN IN RIO DE JANEIRO

PRESIDENT Jose Sarney of Brazil appears to have overruled plans by Mr Luiz Carlos Bresser Pereira, Finance Minister, to introduce the country's first ever wealth tax.

A scheme to impose the new tax was first outlined last month as part of a package of fiscal measures aimed at raising government revenues and reducing the public sector deficit. But it immediately provoked a furious reaction from taxpayers and politicians.

In an apparent attempt to reduce resistance to the overall package, Mr Bresser Pereira, 60, the chief government spokesman, said earlier this week that the wealth tax had been dropped by the President.

Last week, an alliance of Congressmen from parties on the left to right threatened to launch a constitutional challenge to the fiscal package, on the grounds that it preempted tax reform provisions now under discussion.

Mr Guilherme Afif Domingos, an influential Sao Paulo deputy, said that Congress may attempt to veto any tax measures imposed on the country under the President's draconian decree law powers. Such a move would

create a new climate of tension between the legislature and Mr Sarney.

But Mr Bresser, speaking in New York, refused to rule out the tax. He emphasised that the aim of the fiscal reforms was to introduce a fairer system that would exempt the low-paid altogether from the tax net. While the wealth tax was not essential, it formed part of the effort to introduce a "more socially just" system, he said.

Brazil is notorious for having one of the most unequal wealth distributions in the world. According to World Bank figures, the richest quintile of the population has some 66 per cent of the country's total income, while the lowest quintile commands just 2 per cent.

Governor Fernando Collor de Mello of the north-eastern state of Alagoas has decided to defy a Supreme Court order requiring him to lift a ceiling on the pay of top civil servants.

The governor, who imposed the ceiling last March, said he did not have the resources to offer back-pay to the so-called "marchantes" some of whom would earn \$19,500 a month under the ruling.

Strike-bound Air Canada lays off pilots

AIR CANADA began laying off pilots and flight attendants yesterday as all operations ground to a halt because of a six-day strike by 5,500 mechanics, baggage handlers and other ground staff, AP reports from Toronto.

The strike about inflation-protected pensions closed down Canada's leading air carrier, which normally serves 36,000 passengers a day on 450 domestic and international flights.

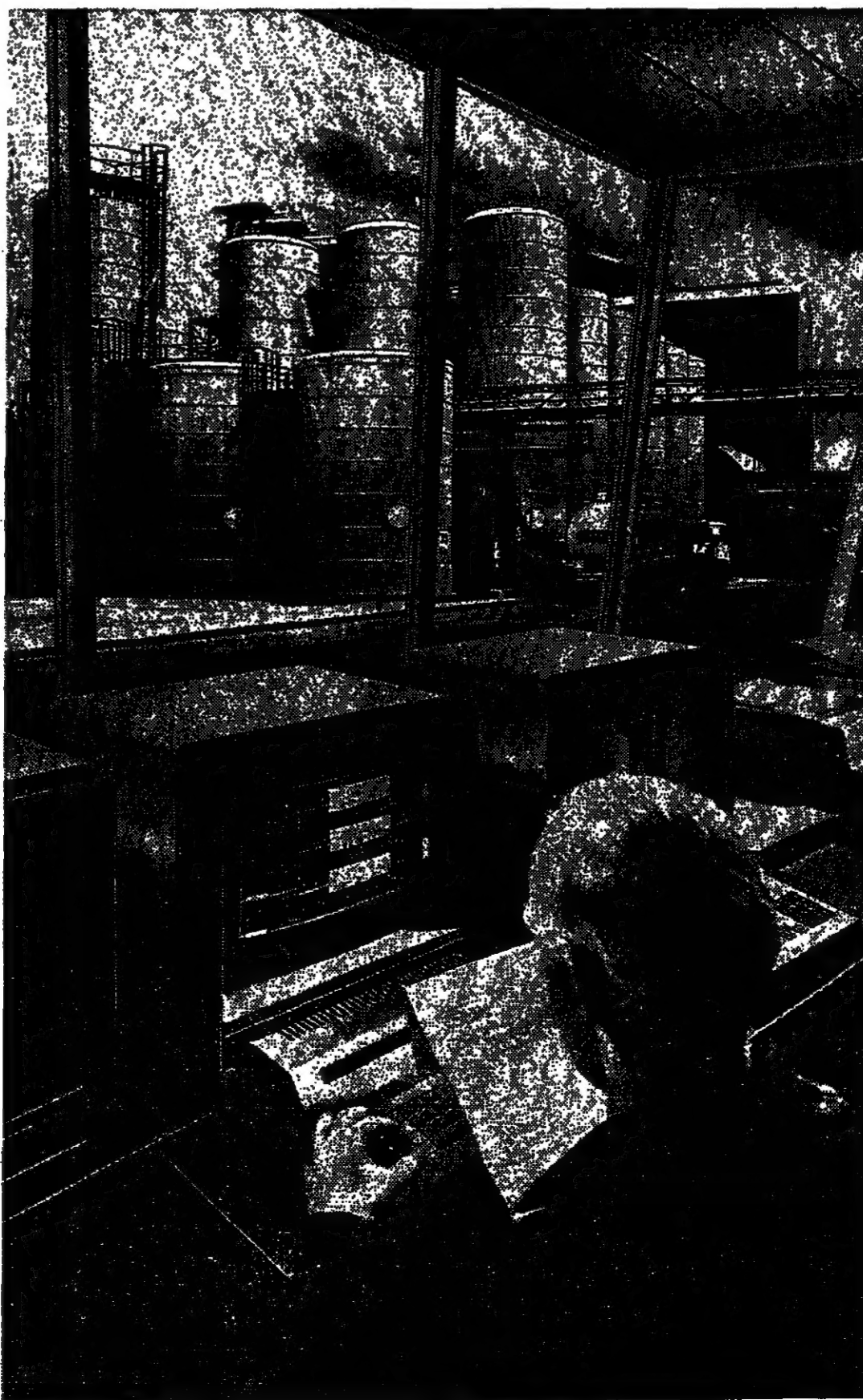
Contract talks between management and the International Association of Machinists and Aerospace Workers broke down earlier this week, but the union talks are planned. The final Air Canada flights from international destinations were expected home Monday, completing the shutdown.

Mr Pierre Cadieux, the Federal Labor Minister, said he would appoint a mediator if the two sides agreed to resume negotiations, but Mr Ron Friesen, the union leader, said there was no point until Air Canada had agreed to some form of frozen pensions.

The union is demanding protected pensions.

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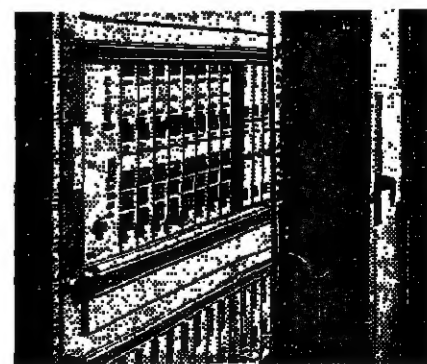
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Thorny questions raised by Latin America's debt hopes

THE SUMMIT meeting of eight Latin American developing countries in Acapulco at the weekend has brought the second round of bank loans to developing countries once more to the forefront of the debate about the Third World debt crisis.

With an increasingly unified voice, the main debtor countries of Latin America are looking to ease their debt burdens by seeking recognition of the big discounts to face value indicated by prices for loans in this secondary market.

The value of Peru's debt, for example, is indicated at a mere seven cents to the dollar; that of Brazil, the biggest debtor, at about 50 cents.

As Mr Enrique Eggleston, Uruguay's Foreign Minister, said: "The market says the Latin American debt is not worth \$400bn (\$220bn) but \$200bn... If we believe in the market, then why don't we follow it?"

Following the market, alas, would be the equivalent of allowing a tiny tail to wag a huge dog, say bankers worried by this development.

Current estimates of the volume of Third World loans traded suggest total trade is running at between \$12bn and \$15bn a year. This is significantly up on the figure a year ago, perhaps as much as double, but it suggests that a tiny proportion of the total market volume is traded.

All secondary markets provide a valuation for a stock of assets based on trading of a marginal amount of those assets, but the ratio between trading volume and the stock of assets in this market is extraordinarily low. Compare it, for example, with the New York Stock Exchange, where on an average day (not year) some \$10bn worth of shares are traded, affecting the value of about \$2 trillion (thousand billion) in assets.

Stephen Fidler looks at the arguments on using secondary market prices to revalue Third World bank repayments

It is a point which has been recognised by accountants. The American Institute of Certified Public Accountants, for example, has said secondary market prices are "based on values established in a thin market, which might not be the best indicator of the fair value of the underlying assets."

The thinness of the market is accentuated by the accounting problems faced by banks in trading loans.

They are particularly acute for banks in the US, where the problem of having their loan portfolio "contaminated" by sales of loans has not been resolved. Contamination implies that all a bank's loans to a certain country should be valued at the same price as those it has sold in the secondary market. The question is whether a bank's loan portfolio should be regarded as an investment - and marked to a market price daily - or as a loan portfolio which is held to maturity.

This problem has meant that outright sales for cash by banks into the market are rare. Much more common is the use of the market by banks to "rationalise" their portfolios, moving out of

those countries which they view negatively or with which they see no future business links and moving into those that they favour.

A number of banks, noting Poland's good record on paying debt interest, have recently swapped out of Latin American debt and into cheaper Polish loans.

The other main trigger to trading is debt-to-equity swap programmes, such as those created by Chile, Mexico and the Philippines. Where active programmes are in place, fairly active trading follows in these countries' debt. Nevertheless, the volume of debt-to-equity swaps are limited and many debtor countries - supported by a number of academics - are worried about the economic effects of too much swapping of debt into equity.

The market's main problem at the moment is simply the lack of new buyers. There have been attempts to interest investors into the market with offers of high yields, but there have been few takers. Attempts to interest buyers of US junk bonds with Third World debt have so far foundered, nor have they been inclined to swap their Third World debt exposure for junk bonds.

That leaves the impression of a huge wall of sellers and a tiny number of buyers, most of which are tempted into the market by debt-to-equity swaps.

That does not mean that prices move over downward, however. They went into a significant downswing earlier this year, after large banks in the US and UK started to boost their provisions for Third World debt, but in the last month prices have actually been hardening.

It is not clear yet whether this is an end-year market hiatus, or results from a feeling that prices are going to improve next year.

MANAGEMENT

Hickson: in search of chemical reactions

Christopher Lorenz explains how the UK group transformed a halting approach to Europe into a clear strategy

WHEN A merchant bank telephoned the Yorkshire headquarters of Hickson International a year ago and offered it the chance to buy Sayerlack, a leading Italian company in one of its prime target sectors, Hickson's paradoxical reaction was "this doesn't look a natural for us."

Yet in August, after seven months of intensive research and negotiation, the delighted British chemicals company closed the \$15m deal. The London stock market hailed it as a breakthrough, signalling Hickson's emergence as a real force in continental Western Europe.

So why the doubts? John Marvin, the managing director, recalls the deliberations of the time quite openly. For Hickson, a medium-sized supplier of a wide range of chemicals and timber treatment products, the acquisition would meet two of the objectives laid down in its strategic plan: further expansion in Europe, and diversification of its timber treatment business from preservation and coatings for exterior wood into coatings and finishes for furniture components and other "interior" timber.

Aware of dangers

The trouble was, "we'd planned to make this product diversification at home, under our own wing, so to speak," says Marvin, who earned his spurs at Hickson's much larger chemicals competitor ICI; he is all too aware of the dangers of diversifying into new product markets and new geographic areas at the same time.

Falling a UK move into interior coatings - and Hickson was starting to conclude that no British takeover candidate in the field was strong enough - the company's inclination was nevertheless to make the diversification through an acquisition in the US. Most of its overseas ambitions, in both timber protection and its other chemicals businesses, have been focussed on the large US market in recent years, as the 1986 annual report made eminently clear on page after page.

"We were also disturbed initially at the Italian proposal

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because we felt that making an acquisition there would bring a lot of problems with it," admits Marvin. But when it was discovered that the founder of Sayerlack, Giancarlo Cocchi, wanted to stay on as part of a strong international group (and that he used the same firm of auditors as Hickson), the doubts began to disappear.

Marvin's initial caution notwithstanding, the episode represented a departure from Hickson's previous pattern of European expansion, which can only be described as halting and more than a little defensive.

A good fifth of the company's sales of organic and inorganic chemicals (€80m in 1986) have been in continental Europe and Scandinavia for well over a decade - with a further 10 per cent in the US. But its separate timber protection business, which total world-wide sales of \$45m last year, is a relative European novice.

This is partly because of the very different nature of the two businesses. Many of Hickson's chemicals are in nature parts of the market, where supply is concentrated in the hands of a few international companies (Hickson is the world leader in several of its products).

In the much more fragmented timber treatment business, only 8 per cent of Hickson's sales went to the continent and Scandinavia a decade ago, with just 6 per cent in the US. By 1986 the European proportion had tripled to 26 per cent, and the US share had risen to 18 per cent. The Italian take-over will immediately add at least another \$17m of sales to last year's continental total of \$11m.

Much of this increase in Europe to 1986 was achieved by direct exports from the UK, mainly through small agents, but with two major exceptions: direct sales in Scandinavia, and a

distribution agreement with Rhone-Poulenc, the French chemical major, for Belgium and France. John Marvin chooses his words carefully, but this arrangement clearly no longer gives Hickson sufficient sales. At the start, deals of this sort (with big companies) look easy," he says. "But the future of this relationship must now be questioned."

Its decay helps explain the reversal in 1984 of the previous Hickson policy of not investing directly on the continent. But a different form of defensiveness also explained its first two small take-overs there, in 1984 and 1985. First came a Benelux timber treatment company, acquired partly as a base for future European expansion, but also because it had started to make its own products. Having previously bought from Hickson.

"The original management was given two years to run, but failed to perform," says Marvin, though he admits that the Yorkshire headquarters' preoccupation with its American expansion (via a 1988 takeover) also contributed to the slowness of growth in Europe. A new (local) man was put in last year, when Hickson also changed the top management of its international timber protection business: this is now handled as a global division, with an experienced international marketing man at its head.

In 1985 Hickson bought Doelray, a Dutch maker of decorative wood stains, largely out of concern lest it be acquired by a competitor; Hickson had already been taking a quarter of its output. Doelray had developed its sales much more rapidly than its Benelux competitor company, and Marvin is more pleased with its progress.

Since Marvin took over as managing director in 1986, this halting approach has been transformed into a clear strategy for "doing much more in Europe - the areas we've made are just a prelude," he says.

Apart from a possible shift to a direct sales network, one of the main aims is to improve local service support. Through the timber chemicals used in any timber treatment can be easily exported across frontiers, the range of treatment formulations, and methods of applying them,



John Marvin recognises dangers of diversifying into new product markets and new geographic areas at the same time

continued to vary widely from country to country because of different types of timber and building practices. In the company's new field of lacquers and stains, entered via the Sayerlack takeover, "you definitely need a local presence," says Marvin.

Fragmentation also applies with a vengeance to government environmental regulations over the sale and use of timber treatment chemicals, which can be hazardous to health if used carelessly - an issue which has been causing much controversy in the British timber treatment industry this autumn because of several cases of alleged toxic poisoning.

Regulatory problem

With the exception of West Germany, which discourages the sale of one type of arsenic-based timber treatment, the problem of regulatory fragmentation arises less from national variations than from the reluctance of most European Community countries to recognise registration by each other's authorities.

Under an EC directive issued a decade ago, harmonisation of national approvals systems for

timber treatment should have already taken place. But "only France has taken the principle of EC registration to heart," complains David Anderson, technical director of Hickson World Timber. "For the rest, the absurd thing is that you end up having to supply the same data to each country."

As for the Community's notorious customs controls, John Marvin says: "They don't just give our export department headaches, but names."

Yet Marvin sees such factors as maddening irritants, rather than as serious competitive barriers. Much more significant, he says, is the company's own need to research European market differences and distribution patterns with great care - something it has not always done well in the past.

In no sense, for Hickson's range of businesses, does Marvin see Europe as an actual or potential "home market." As he puts it, "building scale in Europe doesn't help us. We're in international businesses, and the United States is far more important than other markets. It's the world that is our stage." Previous articles in this series appeared on October 14, 21, 28, November 2, 15, 18 and 25.

What do directors do?

Michael Skapinker reviews a book on the role of board members

A NEW OFFICE, a new car, a new title. Becoming an executive director should be a high point in any manager's career. Instead, many new arrivals to the boardroom are haunted by one question: what does a director actually do?

Companies often run induction programmes for new employees. Few run programmes for new directors. Companies assume that appointees to the board will automatically know what is expected of them.

Many do not have a clue. They have spent their working lives in finance, or marketing, or production. They have devoted their careers to becoming "more and more specialist and more and more valued," said one British managing director.

Then you are finally promoted to the board, get your title and all the perks, only to find that it's a hollow joke. You are suddenly expected to be omniscient. You are meant to know everything about everything. The truth is that you know a lot about very little because you have become so specialised. Yet there seems to be no way of saying "help".

The problem is not just a British one. The chief executive of an American food processing corporation said: "If I had known just how unproductive people would be, I'm not sure I would have taken this job. It's the one area where it is assumed that no training is needed, so no training is provided. What makes it worse is that everyone assumes you know what's going on. It's the most lonely and frustrating of positions."

Bob Garratt, the management consultant who collected these two quotes, says that he has heard similar tales of woe from directors in continental Europe, Hong Kong, Malaysia and even China.

In his new book, he argues that companies need an explicit strategy to develop their directors. A central element in that strategy should be to get directors to stop concentrating on

their own area of expertise and to acquire an overview of the whole organisation, its operations and its markets. Directors who fail to do so, and therefore feel inadequate in their new role, often go back to doing the work they did before they were promoted. This is deeply frustrating for the person who has since taken over the director's old position.

Directors need to do more, however, than simply develop a comprehensive picture of the company's business. They need

cal. "So I rarely use them, at least during the early stages of a project," Garratt writes.

It is more productive, he says, to concentrate on "small, incremental, behavioural changes (which) can have an impressive cumulative impact. Even acts as simple as reading a serious newspaper and then debating items of interest at coffee or lunch can have a liberating effect on directors. It begins to show, both privately and publicly, that it is legitimate for directors to take an interest in the outside world."

Having emphasised the importance of taking things step-by-step, Garratt, unfortunately, then proceeds to ignore his own advice.

While the first part of his book is a lucid and evocative account of the difficulties faced by new directors, the second is a mélange of diagrams and arrows, "reforming loops" and "meta cultures".

Ideas are tossed at us without any elucidation. They might make easy reading for management development specialists, but what, for example, is the lay reader to make of this, unexplained, sentence: "We know through each process as new re-litigative programming that the very act of looking up can help seriously ill people."

The director with a full day of work ahead might be tempted at this point to toss the book aside. It is worth turning to the last few pages, however, where Garratt puts forward some practical proposals.

He suggests, for example, that the company could indicate its support for the education of its executives by giving each director an annual budget for his or her own development.

He points out that many of the tools for the development of directors are already available: newspapers and journals, books, television, videos, secondment and job rotation.

"The Learning Organisation, Fontana, £5.50."



to anticipate those changes on the international, national and industrial scenes that could have an impact on their organisation.

They need to devote more time to reading, thinking and talking. Many directors, however, feel guilty about such activities. They feel they ought to be doing something.

In helping companies implement development programmes, Garratt says he finds, too, that directors often prefer to deal with factual and statistical information. They become uneasy at the mention of words like "politics", "ecological" or "anthropological".

Management abstracts

The *unpublished guide to managing maintenance*, M.S. *How to Manage Maintenance (US)*, May/June 87 (9 pages).

Considers that plant engineering and maintenance make up between 35 and 40 per cent of controllable manufacturing costs, excluding the lost opportunity cost of machine downtime, but maintenance is rarely regarded as part of business strategy or competitive strength. In discussing the effects of maintenance costs on the value-added chain, suggests ways of reducing this gap between maintenance and the rest of the manufacturing process. Looks at ways in which enlightened management deal with such costs: the analysis of costs, and how to obtain accurate cost information; opportunities and guidelines for maintenance.

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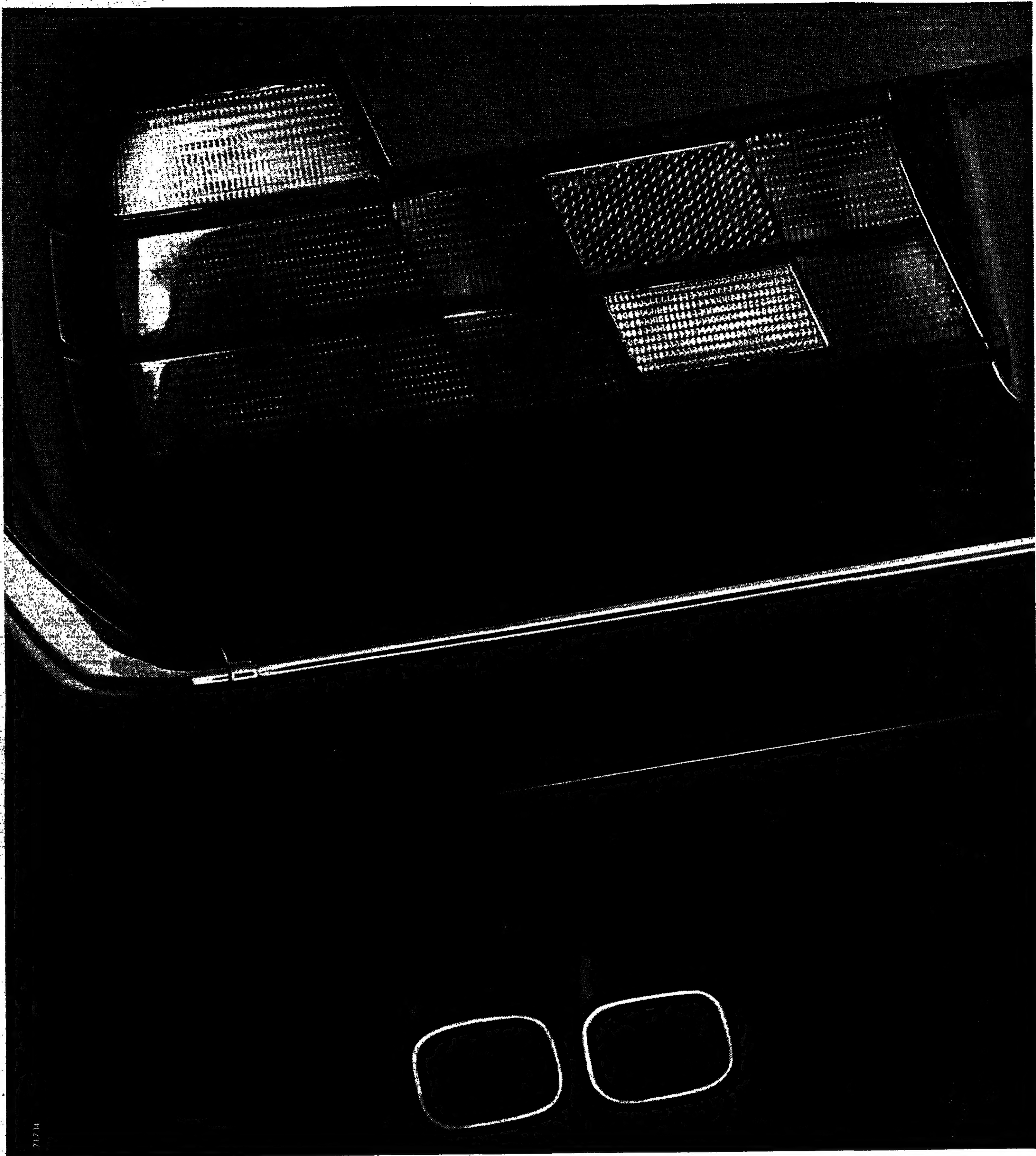
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The ultimate driving machine

TECHNOLOGY

The US has conducted the first major review of the university research centres it set up in 1985

Five rules to live or die by

By David Fishlock, Science Editor

ONE, perhaps two, of the first six American Engineering Research Centres (ERCs), set up at US universities in 1985, may cease to receive Government support because they are failing to meet the strict criteria laid down when they were founded.

This is the conclusion emerging from the first major review of a scheme which, in essence, Britain will follow next year with its first University Research Centres, specialising in exciting new areas of exploitable science such as warm superconductors and molecular recognition.

Britain envisages similar levels of initial investment, averaging around \$2m a year, for these laboratories. But such is the opportunity for growth, for the unlucky host university in the US to fail the review could mean a loss of funds approaching \$100m over the 11 years assumed as the natural lifespan of the centres. Half of this loss would be in state grants, the rest in research contracts from industry.

Any decision to end US Government support will be politically controversial, says Nam Suh, the mechanical engineer who runs the Engineering Research Centre (ERC) scheme for the National Science Foundation. But the foundation - roughly equivalent to Britain's research councils in administering Government funds for academic research - sets great store by the criteria it is using to select and monitor each ERC.

It is already making powerful enemies in Congress by refusing to bow to demands for geographic equality in choosing new ERCs. Any decision to abandon at least one ERC will surely bring demands for an investigation of the foundation, says Suh.

Korean-born Suh knows just what he wants from an ERC. He was professor of mechanical engineering at the Massachusetts Institute of Technology until appointed by the Reagan Administra-

tion as the foundation's assistant director for engineering in 1984. His own formidable academic achievements include 30 patents in manufacturing, materials technology and design, and in new theories of friction and of combustion in solid propellants.

The ERCs were conceived as a means for getting US academic muscle behind national economic objectives, including more competition for the influx of new high-technology consumer goods from Japan.

Suh himself believes firmly that the academic culture needs changing; that it has been too concerned to preserve the boundaries of traditional disciplines in a world where all the big challenges recognise no such boundaries and are invariably inter-disciplinary.

The ERCs are by definition interdisciplinary. They bring together - often for the first time - the diversity of disciplines as well as ample funding needed to make a dramatic impact on a promising new opportunity for science in engineering.

Suh's five criteria by which ERCs are tested at the outset and throughout their lives are:

• The subject must lie in an area which could enhance US industrial competitiveness with Japan and Europe.

• The team must be multidisciplinary.

• The aim must be to make a major impact in giving engineers a more broadly based education.

• The ERC must collaborate closely with industry on long-range research opportunities, for markets 5-10 and even 20 years ahead.

• The targets must be systems-related, not just matters of "digging wells deeper and deeper," says Suh.

"I will be happy if one out of the six ERCs succeeds in meeting all five goals," he says. At the three-year mark he is content with the performance of



American engineering research centres	
	Funding
Centre for robotic systems in micro-electronics California University	\$1.17m
Centre for telecommunications Columbia University	\$2.2m
Centre for composite manufacturing science & engineering Delaware University	\$0.75m
Centre for systems research Maryland University in collaboration with Harvard	\$1.5m
Centre for biotechnology process engineering MIT	\$2.2m
Centre for intelligent manufacturing systems Purdue University	\$1.5m

four of the centres.

So far, the foundation has launched 14 ERCs - five more in 1986 and another three this year. Suh hopes to get funds for another three or four in 1988. He forecasts a total of about 25.

Not surprisingly, given the funds at stake, competition for ERCs has been strong, even though many academic voices have been raised against them. The 14 centres funded have been chosen from over 300 proposals - a success rate of less than 5 per cent. So far, no university has been successful more than once, although the rules would allow it since the choice is on merit, not fairness, says Suh. "We must support the best people and the best ideas."

He has set up a painstaking peer review system for proposals, involving two different teams of specialists for each ERC. These advise his own staff. "It is a very unbiased process and overall it is working out well."

Successful applicants can expect to receive \$40m to \$50m from the foundation over an 11-year period, provided they continue to satisfy Suh that they are fulfilling his five commandments.

The third-year review is by a different team from that which gave the initial advice. It is designed expressly as a "go/no-go" test of whether a given ERC can be expected to run the full term. Suh intends it to be a clear-cut management decision as to whether it justifies further public support.

But he believes it is wrong to expect every ERC to succeed in meeting such rigorous rules. The point he stresses is that every one which succeeds will by definition be having a dramatic impact in its sector of science. Drop-outs should not be construed as evidence that the ERC programme is failing, he says. It is, after all, a new high-risk venture in managing research funds.

Super goal for the British programme

LAST SUMMER Britain's research chiefs invited proposals for University Research Centres (URCs). Within the Cabinet Office, the URC scheme is seen as an important instrument of change and rejuvenation in Britain's academic research community, refocusing much science on opportunities for exploitation in pursuit both of economic advantage and quality of life.

John Fairclough, chief scientific adviser to the Government, is urging that warm ceramic superconductors shall be the subject of the first URC, as a test of academic ability to approach a multidisciplinary approach to a topical opportunity and think ahead about an old subject.

Charles Reece, ICI's research director and chairman of the study group which identified a need for URCs, favours molecular recognition as the topic for the first URC.

The academic community has responded with over 70 ideas for URCs. It has also voiced strong reservations. One of the 230 critical submissions on research council proposals for a more responsive British science base, invited by the Department of Education and Science, is from a consortium of 16 learned societies led by the Biochemical Society.

This states that, while they accept the need for some selectivity in the provision of very expensive equipment, "we disagree strongly with the concept" of the URC. "This degree of selectivity has often failed in the past, and there are few reasons for believing it will be more successful in the future." These critics believe the research council proposals are "overconcerned with the means by which research is managed and directed," and neglects the vital importance of the individual in research.

Professor William Mitchell, chairman of the Science and Engineering Research Council, hopes to launch two or three URCs next year, and more in 1989. He stresses that they will be part of the university structure, not independent of it. He says his council arrived at the URC concept independently of the US, through its own experience with research directorates and its Teaching Company scheme, in which industry has participated enthusiastically.

Professor Mitchell agrees wholeheartedly with the need to continuously review each URC's performance but will be more lenient than the US and allow four years before the first major review.

"A strategy for the science base," HMSO, £3.95.

WORTH WATCHING

Battelle drops into fine metal powders

BATTELLE, THE Ohio-based technology research group, plans to offer licences for a process it has developed for making the very fine metal powders now increasingly used in industry.

Such high purity powders are employed, for example, in spraying wear-resistant coatings, in microelectronics brazing processes and in injection moulding.

The first stage of the Battelle process involves making metal droplets, either by blasting a controlled stream of the molten metal with water, gas or oil, or by using a high-speed centrifugal system.

In the second stage, the droplets are introduced into a rapidly moving wall of water or oil so that, on impact, they break up into very fine particles of an average size of eight microns (millionths of a metre).

The technique offers great flexibility in controlling particle characteristics like shape and size. It is also claimed to produce higher yields than conventional atomisation.

How Ford interacts with quality control

IN A typical Western factory, it has been estimated that as much as 20 per cent of the operating budget can be consumed in finding and rectifying manufacturing mistakes. Despite this the errors may not always be found and rectified.

The Japanese are known to be performing much better in this area of ensuring product quality, largely because they have widely embraced a technique called statistical process control. The meaning of this for the buyers of, say, Japanese motor cars is that the vehicles have, or develop, fewer faults.

Unfortunately, SPC is not a simple technique for production people to grasp, which is why Ford, in the UK, has developed an SPC interactive video (IV) training course in conjunction with specialist UK company Futuremedia of Bognor Regis.

Basically, SPC involves the routine collection of data from strategic points on the production line and analysing it quickly so as always

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to bring any deviant part of the process back to its proper level or condition.

Using IV, instruction in SPC becomes more acceptable and effective. The student uses a carefully compiled set of pictures, graphs, text and sound which is accessed via a personal computer. The five-disc system is programmed to lead the student through the course in the best possible way as he makes responses using the keyboard.

Futuremedia has had £150,000 of support from the Department of Trade and Industry in the UK and the Ford investment totals about £0.5m. Initial sales are likely to be made among Ford's 750 suppliers in Britain (which have to use SPC). But the course is applicable to all kinds of manufacturing. It is distributed by Bognor Regis-based Lasermedia, a newly-formed associate of Futuremedia.

A 24-hour line to fault-free phones

FROM January 1 Thorn Ericsson of Hørsholm in the UK will be offering a 24-hour remote maintenance and diagnostic service to users of its digital FAXES (compact telephone exchanges) and other digital systems.

Faults will be detected over a phone line and in many cases rectified without users knowing there is a problem. Instead, they will receive an automatic print out describing the fault and the action taken to rectify it.

Thorn Ericsson admits that it will be "competing head-on" with British Telecom, but private systems director Terry Henson believes that "as specialists in our own product, we are obviously able to offer a superior service to that provided by BT."

Moving flights of the imagination

UK ELECTRONICS group Ferranti has moved into the "full motion" flight simulator market by winning a UK Ministry of Defence contract to supply the Royal Air Force with five simulators of the Short Tucano basic trainer aircraft.

Although Ferranti Computer Systems has a strong presence in various kinds of military simulation, these are the first systems that will be mounted on hydraulically driven legs to simulate cockpit motion.

CONTACTS: Ferranti UK, (014) 494 7884 or in London on 083 0084. Thorn Ericsson: UK, 0408 0410. Ferranti Computer Systems: UK, 061 428 0771.



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In winter, ice and snow can play havoc with flight schedules, severely hitting air line profits and filling departure lounges with frustrated passengers.

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On stationary aircraft it forms a protective coating that keeps ice at bay. On take-off, airflow on the wings causes an almost magical change. The coating becomes thinner, flows off and restores efficiency to the aerfoil.

Meanwhile, another de-icer formulation, Hoechst 1678, is hard at work clearing runways for take-off.

Just two examples of Hoechst High Chem at work.

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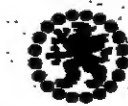
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We spend £2 million a day on research to produce better chemicals, pharmaceuticals, fibres, plastics, dyes, agrochemicals, veterinary products, reprographics and many other chemistry-based products. For the complete picture, please send for the latest 'Hoechst High Chem Magazine' to Hoechst UK Publicity, Ref. FT3, Salisbury Road, Moulton, Middlesbrough, Cleveland TS6 6LM. Telephone: 01-570 7712. Fax: 5217.

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UK NEWS

Trafalgar to wind down Scott Lithgow shipyard

BY NIGEL TAIT

TRAFFALGAR HOUSE, the shipbuilding property and building complex in Scotland's Scott Lithgow shipyard on the lower Clyde, in Central Scotland, from February next year, when its remaining and much-delayed order - an oil rig for Britoil - is complete.

In its three years of ownership, Trafalgar says that the yard has cost the company more than £100m.

The decision to put the yard on a care-and-maintenance basis has long been expected. It was confirmed by the group as it unveiled full-year profits for 1986-87.

Mr Eric Parker, Trafalgar's chief executive, maintained that the company had "pursued absolutely everything" but had been unable to secure external orders. The decision will mean more than 1,000 redundancies as the existing workforce is reduced to a skeleton staff of around 100.

According to Mr Parker, the total cost to the group of the Scott Lithgow episode now exceeds £100m. Trafalgar's figures for 1986-87, include a £25m extraordinary charge to cover the costs of redundancies and asset write-downs resulting from the mothballing.

In addition, Trafalgar says there will be a further £50m-£60m write-off against reserves to cover the cost of completing the Britoil rig. The company already made a £54.9m provision for this in 1985-86.

The Scott Lithgow yard was bought by Trafalgar from British Shipbuilders for £12m in 1984, when the workforce stood at just under 3,000. The Britoil order for a semi-submersible oil rig was secured when Trafalgar took over, but since then the only work has been for the yard's own Canard shipping subsidiary.

Instead, the yard has suffered

a series of disappointments with its failure to win orders - most recently, in August, when the Ministry of Defence rejected a reduced bid to build three small naval ships.

Yesterday, Trafalgar confirmed that it was still going ahead with its "substantial" claim against British Shipbuilders for misrepresentation over the state of the Britoil contract in 1984. No credit for the possible recovery of money from this action has been allowed in the reserves. Retention of the yard on a care-and-maintenance basis will cost Trafalgar around £2m a year, said Mr Parker, but he added that the company had no plans to sell or redevelop the site.

Instead, the company remains hopeful of returning work by the end of the decade. "It does look as if North Sea activity should pick up by 1990," Mr Parker said.

See Page 28

Privatised arms group reshapes operations

By David Buchanan, Defence Correspondent

ROYAL ORDNANCE, bought by British Aerospace from the Government in April, is decentralising its 5500m-a-year arms and munitions business into four operating divisions.

The reorganisation, which will take effect at the start of next month, is the second within a year, but the first since privatisation. It is aimed at rationalising the company's sprawling activities.

It will merge nine factories into an ammunition division based at Chorley, Lancashire, two factories into a guns and vehicles division based at Nottingham, and two factories into a rocket motor division based at Westcott, Buckinghamshire. The company's Blackburn factory will become the control systems and fuses division.

The moves will put "a very substantial degree of decentralisation on to the heads of division managers and senior teams," Dr Maurice Dixon, RO's chief executive, said.

Each of the four divisions would have its own management committee of directors, "but there will be a very strong downward look from myself."

A year ago Royal Ordnance was reorganised into two divisions covering land and naval/air weaponry, but the plan did not progress far because of uncertainty about the views of potential buyers of the company.

The latest reorganisation comes as the company enters what it hopes are the final stages of its protracted negotiations for a five-year deal to supply the Ministry of Defence with 80 per cent of its explosive, propellant and ammunition requirements. This business is believed to be worth more than £100m a year.

"Both sides have to see advantages for themselves," said Dr Dixon. "The MoD wants to see improvements in our productivity featuring in prices over the life of the agreement, and I think they are right to want that."

At the time of the Royal Ordnance sale, the MoD and BAe agreed to try to negotiate a long-term supply contract by spring 1988.

However, other companies have been expressing growing interest to the MoD in the supply of ammunition. One of these is BAE (British Aerospace) and Research, based at Grantham, Lincolnshire, and owned by Oerlikon of Switzerland.

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UNIVERSITY OF MANCHESTER

Young will gain from building society switch

By Richard Waters

BUILDING SOCIETY investors under the age of 18 or those with less than £100 in their building society accounts, stand to benefit if building societies take up their right from the beginning of next year to convert into public companies.

These investors will receive a cash distribution of their share of societies' reserves. Other investors will see their share of the reserves locked up in the new company, and will be able to receive it only if the company goes into liquidation.

This emerges from draft rules published yesterday by the Building Societies Commission, which govern the conversion of societies, which are currently mutual societies, into public limited companies.

The rules on reserves mean that young investors, or those who have broken their investments up into small lumps, stand to receive a substantial amount. This is because they are not allowed to vote on whether the society converts, and so are allowed to withdraw their share of the reserves immediately.

No building society has yet said that it will go public following the introduction of the new rules.

Last ditch effort today to avoid postal strike

BY OUR LABOUR STAFF

CHRISTMAS MAIL is almost certain to be disrupted by selective strikes by the end of this week unless last ditch talks today between leaders of the Union of Communications Workers and Sir Bryan Nicholson, the Post Office Chairman, break the deadlock over the union's claim for a shorter working week.

Mr Alan Tuffin, the UCU's general secretary, said last night after the breakdown of detailed negotiations earlier in the day that the union's executive council had decided industrial action should be called off the meeting with Sir Bryan failed to make significant progress.

Mr Tuffin said he was not optimistic that Sir Bryan would make an improved offer which could avert industrial action.

He called on the Post Office to refer the dispute to independent arbitration, a suggestion which the Post Office has previously rejected.

It is widely expected that the union will call selective strikes at the Post Office's 31 processing centres and 1,040 delivery offices which in the run up to Christmas handle more than 1,000,000 postal items a day.

A ballot on industrial action including strikes over the union's claim for a three-hour cut in the 48-hour working week

including mealbreaks, last month produced a 55 per cent majority for action.

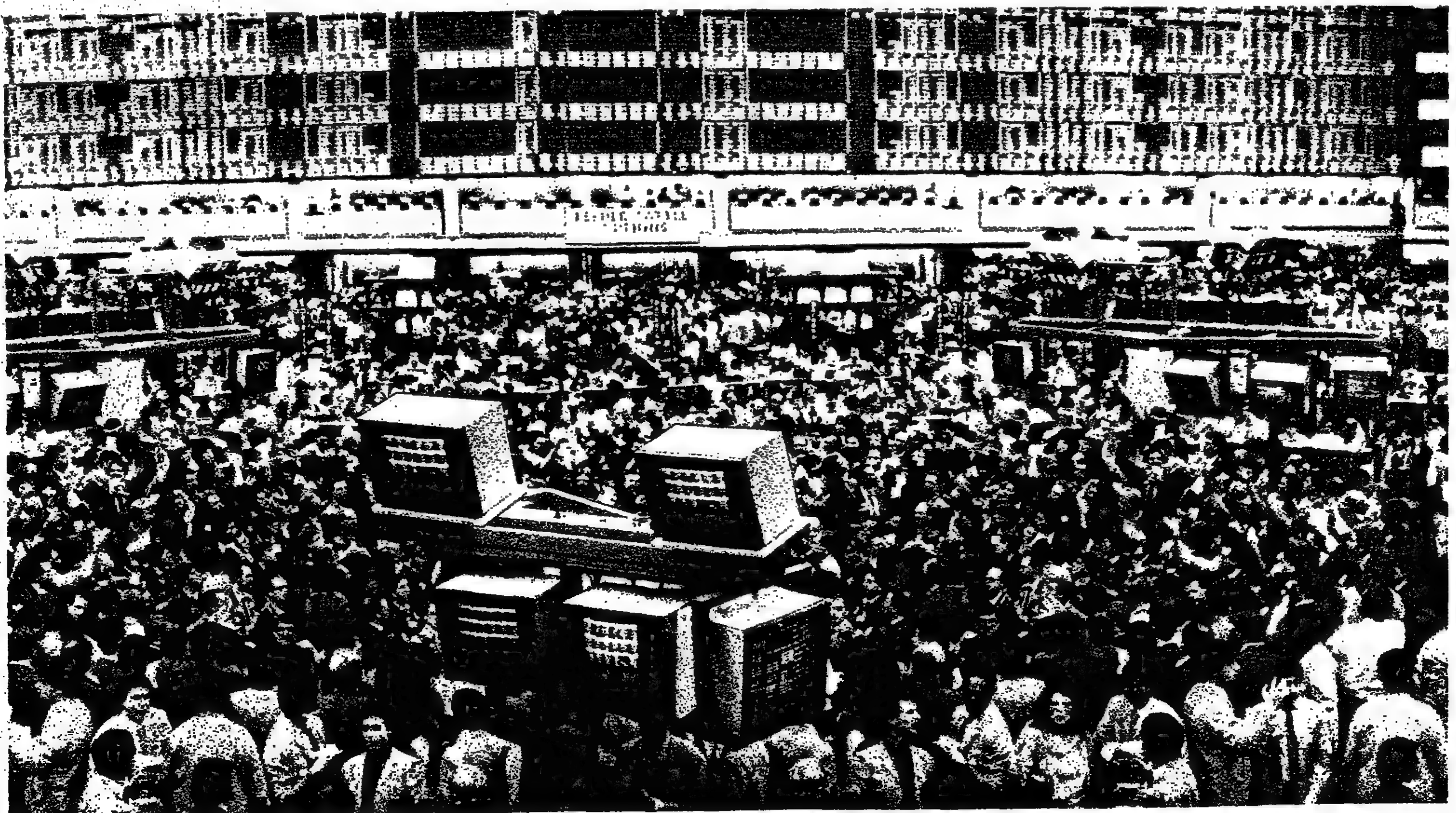
Mr Tuffin said he was confident that there would be strong support among the union's 160,000 members in the Post Office despite the narrowness of the majority. He said the union's leadership would today decide the details of strike action.

The UCU decision to implement the ballot vote followed the breakdown of talks yesterday after more than two weeks of detailed negotiations aimed at agreeing productivity improvements to finance a cut in working time.

Mr Tuffin said that in spite of the union's willingness to consider a wide range of changes to working practices the Post Office had signalled that it would be willing to offer only a minuscule improvement of up to 20 minutes in its original offer of a one-hour reduction.

Mr Bill Cockburn, managing director of the Post Office's letters division, said there was a large gap between the two sides and the union was unwilling to agree to key elements of the corporation's productivity proposals.

He said the main obstacle was the failure to agree the introduction of a revised bonus scheme.



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THE BIG LEAGUE

UK NEWS

Prince Charles attacks City developers

BY COLIN AMERY

THE PRINCE of Wales made a dramatic plea last night for a new approach to property development in the City of London.

Speaking at the annual Planning and Communications Committee Dinner at the Mansion House, Prince Charles attacked the present planning legislation for wrecking the London skyline and "losing the dome of St Paul's in a jostling scrum of office buildings."

The particular target for the Prince's wrath was the proposed redevelopment of the area to the north-east of St Paul's Cathedral known as Paternoster Square.

A consortium consisting of the Mountleigh Group, British Land Company, the Unilever Superannuation Fund and Barclays Bank Pension Fund held an international architectural competition this year to find a master plan for the site.

At the end of November the consortium announced that Arup Associates had been selected to produce a new master plan, with some of the buildings to be designed by Richard Rogers - the architect of the controversial Lloyd's building.

The Prince disclosed that he had been shown the proposals of the finalists by Mr Stuart Lipton, a property developer, in the summer. His reaction was that he was deeply depressed that none of the architects had risen to the occasion.

He was equally depressed by the "overriding commercial con-

siderations" - a demand for 1m sq ft of offices next to the cathedral. "The site might just have well been at the back of a bus station," the Prince of Wales said. He intended to raise his standard over Paternoster Square and he outlined three main changes in the planning system that could make a radical difference to the way developers build in historic cities.

First: tight controls over the design of buildings within 500 yards of a historic monument.

Second: more muscle behind the Conservation Area legislation allowing controls over materials and character.

Third: an admission that current skyline rules do not work and a return to a statutory height limit.

If those guidelines were adopted it would mean that as office towers within the vicinity of St Paul's became obsolete they would not be replaced by high buildings.

The Prince also called for more public involvement in important planning decisions and an exhibition of proposals for the Paternoster "so that people can judge for themselves."

Recognising that architects have sometimes accused him of being a "negative influence", the Prince of Wales put forward a personal visit for the area around the cathedral.

He felt that it should be a beautiful area on a human scale built at ground level.

Patients 'concerned over dental services'

By Alan Pike, Social Affairs Correspondent

PROBLEMS WITH dental services are among the leading consumer concerns about the health service, according to a National Consumer Council survey.

Prominent among these concerns is confusion about charges and uncertainty about how to get emergency treatment out of hours.

In a bid to tackle the problem, the NCC, a Government-established body which represents consumer interests, yesterday published a 118-page guide to dental patients' rights.

Mrs Sally Oppenheim-Barnes, NCC chairman, said the council's research showed that people were put off going to dentists because of worries and confusion about the likely cost and their legal rights. This was not surprising in view of the complex web of rules.

Proposals to widen the choice and information available to patients by improving information on dental lists and encouraging dental practices to produce explanatory leaflets are included in the Government's primary health care White Paper, published last week. The Government also intends to do free dental checks.

You and Your Dentist: National Consumer Council, HMSO, £2.50.

European consensus favours liberalisation

BY TERRY DOODSWORTH AND DAVID THOMAS

A BROAD consensus is emerging in Europe behind further telecommunications liberalisation, Mr Karl-Heinz Narjes, vice-president of the European Commission, told the first day of the Financial Times conference on World Telecommunications.

Mr Narjes, who set out in detail for the first time the actions to be taken by the commission as a follow-up to its green paper on telecommunications, published this year, said telecommunications liberalisation in Europe was a key part of creating a common European internal market by 1992.

The EC would also need to develop a joint position on trade in telecommunications equipment and services. Europe ran a deficit in telecommunications equipment with both the US and Japan. The EC supported the proposal for a multilateral agreement on telecommunications trade and was suspicious of bilateral deals which tried to set rules for the rest of the world.

Lord Young, the UK Trade and Industry Secretary, said the European telecommunications system lacked responsiveness to needs of users, despite pioneering developments in the UK.

While welcoming the green paper, he said the UK had reservations over the lack of support for competitive basic network operations and was worried that the creation of new standards might lead to restrictions.

Lord Young also stressed Britain's support for complete deregulation of value-added services, saying the Government was pushing ahead with bilateral talks to open these sort of links with the US and Japan. In telecommunications equipment markets, he said Britain's experience had shown that deregulation

FT CONFERENCE World Telecommunications

tion was of great benefit to users, while also encouraging industry to "face up to the challenges" from the rest of the world.

The initiatives taken in the European Commission's green paper were supported by the ministers responsible for telecommunications policy in both France and the UK. Mr Gerard Longuet, the French Minister of Posts and Telecommunications, said the establishment of a common system of communications in the region was an important issue in the development of the community, and he called for the creation of a centralised body to set pan-European standards.

Agreements between European countries on a new digital telephone system were an important precedent, he added.

Mr Longuet said France was now committed to full liberalisation of value-added services, and was opening up both its car telephone and radio paging networks to more competition. The Government was also intending to divide the regulatory responsibilities of the telephone authority from its operating function.

It is necessary to give the Direction Generale des Telecommunications the autonomy to set

its own prices, determine its investment, manage its own debt and make its own managerial decisions.

Mr Genn Feketsaksky, adviser to the US Trade Representative, calling for an agreed basis for trade in telecommunications equipment and services, pointed to large disparities in telecommunications imports among the major countries.

Regulatory differences between the countries reinforced the need for ground rules dealing with market access, because otherwise the different regulatory regimes could become a major obstacle to trade.

In the short term, bilateral agreements between countries could help in defusing commercial conflicts in telecommunications trade. The US had initiated bilateral negotiations with 12 countries and had concluded an agreement with Canada.

Mr Eric Sharp, chairman of Cable and Wireless of the UK, said large users of international telecommunications were leading a shift away from the domination of national carriers, despite regulatory obstacles. Multinational companies were able to establish their own networks within individual countries, and saw no reason why they should not do this internationally.

Cable and Wireless was helping to break down national barriers by establishing an international network, he added, although significant problems remained. "Global networking is, and will become, an increasing part of everyday business and leisure. The duty of regulators is to bring down the barriers that complicate and inflate the cost of global networking, and of carriers to provide maximum choice



Lord Young: reservations over lack of support

of facilities and easy access to international trunking."

Mr Salvatore Randi, general manager of STET, the Italian nationalised telecommunications group, said the integration of services and the adoption of common standards in Europe was essential to make the region competitive with the US and Japan.

Proposing the creation of a new pan-European organisation to provide intra-European telecommunications services and co-ordinate intercontinental initiatives by telecommunications operators was "the best way forward for the landing of foreign manufacturers and service providers in Europe."

Mr William H. Hulse, chairman and chief executive officer of Ameritech, a Bell Regional Telephone company, stressing the crucial role of governments in setting telecommunications pol-

icy, said the Bell Companies in the US were hamstrung by government regulations and restrictions.

Ameritech intended to appeal against the recent decision by the US courts stopping the Bell companies entering the information services, manufacturing and long distance markets, because it believed that entering those markets would help it strengthen its core businesses to the benefit of its customers.

Continuing consolidation of equipment manufacturers was inevitable as the industry became more global, according to Mr Michael Patales-Fox, a partner in McKinsey & Company, although they should be aware of the difficulties of carrying out a successful merger operation.

Which perhaps only five public switch manufacturers left in 10 years, the other manufacturers should now work out alternative strategies, including supplying specialised switches to niche markets.

Mr Richard Hooper, managing director of Super Channel, the satellite television service, appealed to the European telecommunications community to help remove the political obstacles blocking the spread of satellite broadcasting on an European basis.

Despite fast growing demands for both pan-European television and advertising, its growth was being hindered by several factors. Some were concentrated on the market as a whole, while others were specific to individual countries.

The advertising industry's tendency to receive the signals, the tendency for the advertising industry to operate along national lines and the lack of European technical standards.

MPs 'not given enough facts on TSB flotation'

BY RICHARD WATERS

PARLIAMENT WAS not given enough information on which to base a decision about who should receive the proceeds of the £1.275bn TSB flotation, according to the Commons Public Accounts Committee.

The committee's findings, published yesterday, follow an investigation into why the Government waived its right to the sale proceeds in the 1985 Trustee Savings Banks Act. A year later, the Lords ruled that the TSB assets "belonged to the state."

TSB, which itself received the flotation money, has since acquired Hill Samuel, the merchant bank. The committee's report says that the Treasury would need the flotation money to strengthen its capital base and help it to compete in the "big league" of financial institutions.

Parliament was aware at the time of the 1985 act that it had the power to use the proceeds of the banks as it saw fit, the committee says. However, it would have been better if the respec-

tive positions of the Government and the initial shareholders had "been more specifically covered in information provided to Parliament."

As a result of the act, shareholders in the new company "found themselves entitled not only to the assets purchased but also to the full proceeds of flotation," the committee says. This "bonanza" was spread between 3.5m shareholders.

The committee adds that the Treasury was influenced by its desire for TSB to be able to compete with the world's largest banks. Even with the sale proceeds, which gave it capital of £3.3bn (£1.5bn), it only just scraped into the world's top 50.

"It would in our view have been better had more issues been more specifically covered in the information provided to Parliament when the 1985 act was being considered," the committee says.

Trustee Savings Banks: Rights Of Ownership (HC182). HMSO, £2.50.

European Court to rule today over tax on homes

BY ANDREW TAYLOR IN LONDON AND WILLIAM DAWKINS IN BRUSSELS

EXECUTIVES FROM some of Britain's leading construction companies were last night anxiously awaiting the first indications of the outcome of a European court case which they claim could add a minimum of 15 per cent to the price of new houses and result in the cancellation of a range of private construction projects.

The European Court of Justice in Luxembourg is today due to deliver its preliminary opinion on whether Britain and Ireland should be allowed to give exemption from value added tax to a wide range of goods and services including new construction.

The court's preliminary opinion, expected to be given by the Advocate General, usually gives a pointer to the final judgment which is expected early next year.

Other areas under threat include protective boots, animal feed energy, water and sewerage services. The European Commission took the London and Dublin Governments to court because they claimed such goods and services fell outside EC rules, which only allow VAT exemptions for clear social reasons or where it is determined that the final consumer stands to benefit.

Mr John Parsons, president of the Building Employers Confed-

eration, gave a warning last night that the imposition of VAT on new construction would have far-reaching economic implications affecting the provision of shops, offices, factories, hospitals, schools and homes.

He was speaking at the confederation's annual dinner in London. The confederation is the biggest of the construction industry trade associations. It represents companies with a combined annual turnover of more than £20bn.

Mr Parsons said: "If the case goes against us, all new building and civil engineering work could ultimately become subject to VAT. At worst, this could mean 15 per cent added to the sale price of new houses."

The increase would not have to be paid on commercial house building "because of an incredible contention by the European Commission that public sector housing is a social benefit while owner occupation is not," said Mr Parsons.

He said the earliest VAT should be introduced, if Britain loses the case, should be the March budget in 1989. Government could also consider increasing public sector construction programmes to avoid a potentially damaging hiatus in industry's work patterns.

VAT on books opposed

BY RAYMOND SNOODY

THE BOOKSELLING and publishing industry has united to oppose what it sees as an increasing danger that value added tax may soon be imposed on books, magazines and newspapers for the first time.

The presidents of both the Booksellers Association and the Publishers Association, Mr John Hyams and Mr Michael Turner, have joined forces with an open letter to the book trade urging action against what they see as a tax on reading.

The book trade fears a two-pronged attack from both the European Commission and the British Government.

An EC draft directive envisages two levels of VAT - a standard rate which would range from 14 per cent to 20 per cent and a reduced rate of between 4

per cent and 6 per cent - presumably for books and newspapers.

But concern is growing that the Government might agree to impose the full present UK rate of 15 per cent on books as part of a compromise to help it honour a commitment to preserve zero ratings on food, fuel and children's clothes.

Mr Hyams and Mr Turner are appealing to everyone in the book trade to write in protest to their MPs and the responsible Ministers.

The European Committee Against Taxing Books is fighting the battle on an EC-wide front.

Mr Clive Bradley, director of the Publishers Association, argues that an acceptable compromise could involve the commission accepting a reduced VAT range of zero to 6 per cent.



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FOR ALL THE RIGHT CONNECTIONS

British Gas accused of prices secrecy

By Lucy Kellaway

BRITISH GAS was accused yesterday by the head of its regulatory watchdog body of putting a "cloak of secrecy" around its industrial pricing policy.

Mr James McKinnon, director general of the Office of Gas Supply, delivered his attack less than a week after the issue of industrial gas prices was referred to the Monopolies and Mergers Commission following complaints of overcharging.

Speaking at a conference in London on the privatised gas industry, organised by Public Issue Conferences, Mr McKinnon said British Gas should be required to publish a list of gas prices by volume and hold the prices steady for about a year.

The company was "not a barrow boy but a very large company," and therefore would not suffer from publishing price lists. Under the present system British Gas has to disclose only its maximum price.

Mr McKinnon's recommendations are based on an Ofgas report to be published later this

month. He said yesterday that, to encourage rival distributors of gas, it was essential that the British Gas pricing policy should be open so that potential competitors could judge if an opportunity for profit existed.

At present prices, he guessed that profits of about 7p or 8p a therm might be available to a rival supplier of gas. Mr McKinnon also suggested that all the present constraints imposed on "interruptible" gas supplies should be lifted.

Interruptible gas supplies are cheaper supplies to industry which British Gas can cut off in peak periods. At the moment British Gas will supply on an interruptible basis only if it is satisfied that the customer could cope if supplies were cut off.

The recommendations would partially answer complaints being investigated by the Monopolies and Mergers Commission. Industrial customers have said prices are too high and the secrecy of the pricing process makes decision-making difficult.

BP finds oil off coast of Dorset

By Lucy Kellaway

BRITISH PETROLEUM announced yesterday that it had found oil 2½ miles off the coast of Dorset, close to its existing onshore Wytch Farm field.

The progress of the well has generated much excitement in the industry. Some analysts predicted that the new find could add half as much again to Wytch Farm's existing oil reserves of about 250m barrels.

However, other experts say that the extension is more likely to contain about 50m barrels.

BP said it was too soon to assess the scale of the discovery or to say whether it was an extension of the Wytch Farm field. It said that a programme of further appraisal drilling was planned, for which it would seek approval with the appropriate planning authorities.

Since it was discovered more than 10 years ago, the Wytch Farm field, the largest onshore field in the UK, has repeatedly surprised its partners by the size of its reserves.

The most positive estimates put the total size of recoverable reserves in the area at about 450m barrels.

British Gas said yesterday it had made a "significant" gas discovery in the Southern Gas Basin of the North Sea.

The find is in block 48/12b, 46 miles off the Yorkshire coast.

Clive Wolman on the first year of the investigation into the Distillers takeover bid Guinness affair is a long time brewing

THE SIMULTANEOUS swoop by inspectors and officials from the Department of Trade and Industry on the headquarters of Guinness, Morgan Grenfell, the merchant bank, and several other City institutions involved in the Guinness takeover bid for Distillers was dramatic enough when it happened a year ago yesterday.

But few, if any, predicted that the investigation would lead to the largest number of sackings, resignations and arrests on fraud and theft charges of senior City and business figures since the collapse of the South Sea Bubble.

The irony is that the DTI inspectors themselves have so far said nothing nor indicated publicly that any wrongdoing has occurred. Nor is the report of the inspectors likely to see the light of day for another two years, if not more. The initiative has now passed to the police and the focus of attention is on their investigation.

In fact, the impact of the inspectors would have been almost exactly the same if their appearance had been no more than a cage-rattling operation and they had merely gone into a few offices, taken away a lorry-load of randomly selected files and then sat back and waited.

Within three weeks, information about the share-support operation during the takeover bid began to leak out. As more people attempted to protect their own positions, by undermining those of others, the resignations gathered pace. The inspectors' appearance led to 10 resignations, even before they started interviewing the leading characters.

The police first became interested in the affair in late January when Detective Superintendent Richard Botwright of the Metropolitan Police and his deputy, John Wootton, were alerted but for the next three months they were not allowed to do any more than collect press cuttings.

However, within 72 hours of being given the go-ahead by the Director of Public Prosecutions in early May, the police had interviewed key witnesses and arrested Mr Ernest Saunders, former Guinness chief executive, on charges of intent to pervert the course of justice and of falsifying documents.

The police have adopted a fundamentally different tack from previous investigations into suspected City fraud. In the past they have attempted to investigate all possible angles and gather all possible information before making arrests, if any. Cases, such as the suspected frauds in the Lloyd's insurance market, have gone cold and the chances of witnesses remembering the details of critical incidents have diminished.

In this case, the police, using the transcripts of the evidence to the inspectors, decided to focus on the principle issues and bring charges as quickly as possible.

This followed the policy of Mr Rudolph Giuliani, the US attorney in Manhattan, in his insider

dealing arrests on Wall Street earlier this year. Already five people have been arrested and several more arrests are expected before the five are due to appear before the court again for criminal proceedings in April.

Arresting powerful businessmen and tackling their lawyers has been a dangerous and tricky business. On the day before Mr Saunders was due to appear before Bow Street magistrates to face another 37 charges in October, his solicitors persuaded the court, in the absence of the police, to order the police to return his passport to allow him to fly to Switzerland early the next morning.

The police refused and faced

contempt of court proceedings. The threat was removed only by a rush in a siren-blasting police car to a judge's home in Hendon.

When Mr Gerald Ronson, one of Britain's wealthiest self-made businessmen, was arrested, his solicitor accompanying him, the Labour peer Lord Mishcon, protested that Mr Ronson had come to the police station of his own free will and had spent several gruelling hours answering the police's questions. They could not now arrest him, Lord Mishcon argued.

The more junior officers leading the interrogation began to show uneasiness and Superintendent Botwright had to intervene. "Just try leaving the building

and you will soon find out whether or not you are under arrest," he said.

Criminologists say that the most powerful element in the punishment and deterrence of white collar criminals is the moment of arrest, when the suspect is humiliated by his subjection to the power of the state.

Soon after the inspectors' investigation began, Mr Ronson decided to seek the advice of Lord Mishcon, not his regular lawyer, at the suggestion of Mr Robert Maxwell, a close friend.

Mr Ronson's subsequent letter to Guinness, in which he admitted being paid \$5.8m for buying Guinness shares during the takeover battle, was drafted by Lord Mishcon and Mr Michael Sherrard QC.

The letter failed to mention that Mr Ronson had agreed with Guinness that \$5m of the sum was to be a (generous) payment for property advisory work that Mr Ronson's company carried out for Guinness in reorganising the Distillers property portfolio in the aftermath of the bid. The omission was apparently made by Mr Sherrard in the belief that, by making a clean and uncomplicated admission of his involvement, Mr Ronson could avoid further questioning and entanglement.

However, the clarity and simplicity of Mr Ronson's admission may have weakened what could have been an important part of his defence case.



Ernest Saunders: facing charges

CEGB pledges backing for role of nuclear power

By Lucy Kellaway

THE CENTRAL Electricity Generating Board yesterday issued a strong endorsement of the role of nuclear power in meeting future energy needs. However, it warned that breaking up the CEGB into small companies would endanger the nuclear programme.

Mr John Baker, CEGB corporate managing director, reacted enthusiastically to a suggestion made last month by Mr Cecil Parkinson, Energy Secretary, that an obligation could be placed on private power generating companies to meet a fixed proportion of future needs through nuclear power.

Speaking at the British Nuclear Forum's annual meeting with MPA, he said it would be

better to rely on "an organisation like the CEGB that is positively motivated to build and operate nuclear plants" rather than requiring private utilities to build nuclear stations.

The nuclear issue is a strong bargaining point for the CEGB in its efforts to persuade the Government to privatise it more or less intact. The Government does not want privatisation to deprive its nuclear programme, under which the CEGB plans to build a new generation of five pressurised water reactors.

Mr Jones said the record of the fragmented electricity industry in the US in building nuclear stations compares unfavourably with that of France.

News International buys half-share in store chain

By Maggie Urry

NEWS INTERNATIONAL, the UK arm of Mr Rupert Murdoch's News Corporation, is investing \$20m in a half-share in Circle K, the US-quoted convenience store chain. The joint venture also covers expansion throughout Europe by Circle K, which has 3,556 convenience stores in the US.

Circle K currently operates 134 convenience stores in the UK which open seven days a week for long hours. It plans 500 stores by 1992. Talks have also begun on a move into continental Europe.

The attraction to Circle K of a partner is to speed up penetration of the UK market.

Circle K's overseas operations - which include Canada, Japan and Hong Kong with plans extending to other parts of south-east Asia - have generally

been through joint ventures. It said yesterday: "Our preference has always been for our foreign operations to be either joint venture or licensed rather than wholly-owned."

News International will keep this joint venture separate from the one-third stake it has in a consortium which took over Matus, the newspaper, in September.

Circle K stores sell newspapers as well as a range of other goods. Mr Murdoch said that "the resources of News Corporation coupled with the operating expertise of the Circle K UK personnel should make the joint venture a highly effective and profitable organisation."

Circle K, which has more than 4,000 stores worldwide, originally set up a joint venture in the UK with Imperial Group in February last year.

Digital to build £100m headquarters in Reading

By Paul Cheesbrough, Property Correspondent

DIGITAL EQUIPMENT, the international computer manufacturer, is to invest £100m in a new UK headquarters at the Thames Valley Business Park on the eastern side of Reading.

It has bought for £30m from Speyhawk, the developers of the park, a site of 33½ acres on which it intends to construct five widely separated buildings, each of 100,000 sq ft, to house 2,000 employees in all.

This is the second big property transaction along the M4 corridor in the last fortnight, emphasising the area's attraction to high-technology groups. Earlier, Galileo Distribution Systems, the inter-airline reservation partnership, reached agreement to take

240,000 sq ft of space at a business park near Swindon.

The new headquarters for Digital brings the company's planned investment in the UK announced over the last year up towards £200m. During the summer it started construction of an \$85m silicon wafer plant near Edinburgh.

The company has also been extending its presence along the M4 corridor. This year it pre-let from Slough Estates 150,000 sq ft at Winkers Triangle, also near Reading, for a warehousing centre and took space at the Arlington Securities Newbury Business Park for a value-added network services company.

Leading cinema chains may lose exclusive deals

By Raymond Snoddy

THE GOVERNMENT is proposing to open up the distribution and exhibition of films in the UK to more competition.

Mr Francis Maude, minister for corporate and consumer affairs at the Department of Trade and Industry, said yesterday the Government was considering making an order under the Fair Trading Act outlawing the "barring" of films and giving independent cinemas more access to popular films.

Barring is the system under which the order by which cinemas gain exclusive access to films is pre-ordained by the leading distributors.

I am proposing firstly that existing and future long-term arrangements between a cinema and a cinema operator to bar other cinemas locally from showing the same films concurrently might be made unlawful," Mr

Maude said yesterday in a written parliamentary answer.

An end to barring was recommended by the Monopolies and Mergers Commission in a 1983 report arguing that exclusive access to films should be negotiated case by case.

Mr Maude also made clear that he was proposing a four-week limit on the time "first run" cinemas could show a film without making it available to competitors.

Yesterday's government statement came as the Office of Fair Trading published a report on an experiment based on the MMC recommendations in the Glasgow and Manchester areas. As part of the trial, independents had easier access to popular films.

The OFT said there was no indication that distributors or exhibitors would suffer commercially if such rules were introduced across the industry.

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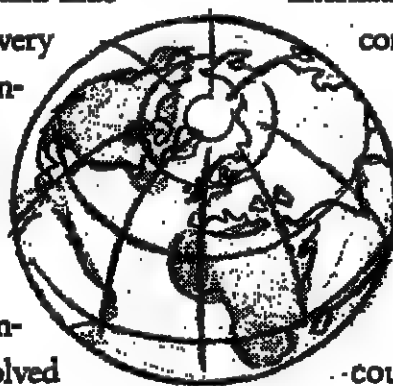
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UK NEWS - PARLIAMENT and POLITICS

Heath turns on Tories with a vitriolic attack on education bill

BY TOM LYNN

A STINGING attack on all the main points of the Government's Education Reform Bill was launched in the Commons last night by Mr Edward Heath, the former Conservative Prime Minister.

Mr Heath attacked events surrounding the bill's introduction as "a caricature of parliamentary government" and virtually invited the House of Lords to make major changes to the measure when it reaches the Upper House next year.

However, his speech drew a stern rebuke from Mr Norman Tebbit, the former Conservative Party chairman, who argued that the record of Mr Heath's premiership disqualified him as a critic of the present Government.

The former Prime Minister's attack on another major plank of government policy was peppered with noisy interruptions from other Conservative backbenchers, but he refused to allow any of them to intervene in his 25-minute speech.

He told them that no definition of the Government's mandate after its general election victory could justify failing to provide the House of Commons with a proper opportunity to

consider legislation. Inadequate consultation had preceded the bill's publication seven working days before yesterday's second reading debate in which about 70 backbenchers had about four hours to make their contributions. "It shows a lamentable respect for education and for parliament."

"It gives the House of Lords the opportunity to say the major issues were never debated in the Commons and so they can take it in hand."

Mr Heath accused ministers of allowing concern about affairs in one or two left-wing boroughs to dictate the policy of schools being allowed to opt out of local authority control. He predicted that opting out would lead to selection and, eventually, a fee-paying system.

The opt-out plans were "going to undermine the whole of the basic educational system of this country," and he appealed to the Government to drop them.

The bill's proposal to allow boroughs to opt out of the Inner London Education Authority was "contrary to the whole trend of Conservative education policy." If the richer boroughs opted out, the poor would suffer.

Allegations by Labour MPs that the Government was still having difficulty in securing support from industry for the establishment of new city technology colleges were denied by Mrs Angela Rumbold, Minister of State for Education, in the Commons yesterday.

She insisted that a "very substantial number of industrialists" had come forward - more since June than before June - expressing interest in the idea. Mrs Rumbold stated: "We shall eventually be establishing the full 20 city technology colleges in the not too distant future."

The former premier described the Government's declared aim of parental choice as "very largely a confidence trick," and plans to give parents more power in running schools as "completely unrealistic," arguing that parents did not want to run schools.

He welcomed an indication by Mr Kenneth Baker, the Education Secretary, that there was likely to be a more flexible interpretation of the national curriculum, but he told Mr Baker he was taking on too many powers to dictate details like which books should be used - a power he would not like to see used by a Labour Government.

Arguing that Mr Baker had more power under the bill than any other minister, he said: "No Secretary of State should ever be allowed in a parliamentary system to have that power."

Mr Heath said the universities were "terrified" to protest loudly about the proposals to end academic tenure and appoint commissioners to amend their statutes because "they all know what has happened to those who have different views from those in government circles. They are afraid they are going to lose their jobs."

Mr Tebbit urged Mr Baker to ignore criticisms of the bill's timetable from the premier who pushed the Counter Inflation Bill through parliament in two weeks during 1972. "That's fairly brisk for a bill which was not only not in the party's manifesto but was specifically excluded by pledges in that manifesto."

He added that plans for one-nation Toryism could be discarded from "the man who was Prime Minister when the country was plunged into the three-day week when the party and the country were almost irrevocably split."

He urged his former Cabinet colleagues to go further in the opt-out proposals. "Consider taking powers yourself to opt schools out in order to ensure that consumer choice is more



Edward Heath: 'Caricature of parliamentary government'

widely spread more quickly." Mr Tebbit congratulated Mr Baker for having "crystallised many long hours of debate in the Government into legislation," and urged him in particular to "stand firm" on the testing of children. He said it was a characteristic of producer-driven industries that the producers - in this case the teachers - were resisting quality control.

He paid a mocking compliment to Mr Heath for his part in starting the party on the road to being the defender of the consumer rather than of the producer when he abolished resale price maintenance. "Opposition to this bill is the mistrust of people to manage their own affairs and make their own choices."

Opening the debate, Mr Baker said the bill aimed "to secure delegation and widen choice" and argued that the opt-out plans would improve standards in all schools, even those which remained within LEA control.

"The LEAs will want to hold on to their schools and they will therefore have a far greater incentive to respond to the wishes of parents. For the first time in 80 years they will face competition in the provision of

free education. So standards will rise in all schools as we introduce a competitive spirit into the provision of education - and at no extra cost to the consumer."

In a widely-expected concession to critics of the bill, he said he would not lay down how much time schools should spend on the core curriculum or what percentage of time should be spent on each subject.

However, he said, "it will be very difficult, if not impossible, for any school to provide the national curriculum in less than 70 per cent of the time available."

Mr Jack Straw, the shadow Education Secretary, said the testing of children could label many as failures from an early age, and the powers for parents could lead to segregation on the grounds of class and race.

"It is a bill that will divide, that will set child against child, class against class, school against school and race against race. This will lead to educational apartheid, to segregation."

He accused ministers of waging a "constant campaign to instill a state of distrust in the state of education and the teaching profession."

Pride of Bexley mauls Baker bill

A GREAT roar of approval went up from Labour MPs in the Commons yesterday as the leader of the opposition from Old Bexley and Sidcup relentlessly performed a devastating demolition job on the Government's Education Reform Bill.

As former Tory Prime Minister Ted Heath resumed his seat, the delighted Labourites clearly felt that the case against the bill could not have been put better from their own benches.

In fact it had not been bettered from the Labour front bench, even though Jack Straw, the shadow Education Secretary, had put up a very commendable performance.

It was his bad luck that he was overshadowed by the gripping parliamentary theatre that followed as Ted launched a savage attack on his old protégé and former parliamentary private secretary, Ken Baker, the Education Secretary.

Mr Straw had drawn attention to this relationship when he pointed out that Mr Baker had once been a passionate supporter of Mr Heath and had terminated one of his general election campaigns. Yet these days he was just as passionate in his support of Mrs Thatcher's policies.

Constantly Mr Straw observed: "No one could ever accuse the Secretary of State of placing principle before the main chance."

Naturally the Tory backbenchers seethed in anger and frustration as Ted pursued his indictment of the bill.

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Kinnock urges cut in interest rates to aid industry

BY MICHAEL CASSELL, POLITICAL CORRESPONDENT

MR NEIL KINNOCK, the Labour leader, yesterday called for an urgent cut in UK interest rates "of at least 2 per cent" in order to relieve pressure on the pound and to sustain the competitiveness of British industry.

He made his call, repeated later in the Commons during Prime Minister's questions, on a visit to the International Trade and Services Exhibition in London.

Labour's attack on the Government's economic strategy - including its reluctance to sanction further interest rate cuts -

will be pressed further today in the Commons, when it stages a debate on the burden imposed on the real economy by government policies.

Mr Kinnock also claimed on BBC radio that a major interest rate reduction should prove "inflation-neutral" because higher import prices would be offset by reductions in production costs.

He attacked Mr Nigel Lawson, the Chancellor of the Exchequer, for sanctioning minor rate cuts which had failed to make the necessary impact on Britain's

trading position and the external value of the pound.

In the Commons, Mr Kinnock demanded that Mrs Thatcher should reduce UK interest rates which, he said, were in real terms among the highest in the developed countries and which placed British exporters at a serious competitive disadvantage.

Mrs Thatcher repeated the Government's commitment to reduce interest rates "when it is prudent to do so". She claimed that the Government's financial policies had "stood the test of eight years", had produced a

soundness and success envied by other countries and led to a higher standard of living than ever previously known in Britain.

To Tory laughter, the Labour leader suggested to the Prime Minister that "nobody knows what your financial policy currently is". Mrs Thatcher replied: "If you don't know what our financial and economic policy is, you must be living in cloud cuckoo land."

In today's Commons debate, Labour intends to mount an

attack over the decline in UK manufacturing output and the forecast \$7.5bn manufacturing trade deficit. MPs will call for greater government involvement and investment in an improved manufacturing performance.

The Government's plans for major increases in electricity prices will also be singled out as an unnecessary cost burden justified by the electricity industry's financial position but which forms part of the "fastening-up" process in advance of privatisation.

Dobson alleges 'deadly neglect' on Underground

BY OUR POLITICAL CORRESPONDENT

A REPORT prepared by the London Fire Brigade on conditions throughout the capital's Underground system represented "a roll-call of deadly neglect", Mr Frank Dobson, the shadow Leader of the Commons, claimed last night.

Mr Dobson, the Labour MP for Holborn and St Pancras, whose constituency includes King's Cross station - where 31 people died in a fire last month - was releasing copies of the normally unpublished annual fire inspection report on the eve of the public inquiry into the disaster.

The fire brigade report identifies potential fire hazards at underground stations around London and contains details of an inspection carried out at King's Cross at the end of April.

The inspectors subsequently called for the removal of several potential fire hazards at the station - such as cardboard boxes, sacks of rubbish and oil drums - in the booking hall and on platforms. There is no reference to a fire alarm involved in last month's fire.

The report also suggests fire hazards were identified at other Tube stations where there have been serious fires, notably Oxford Circus and Goodge Street. Mr Dobson said he did not know what action had been taken since the station reports had been compiled.

LPT said last night that it had already carried out all the fire brigade instructions concerning King's Cross before the fire and had instituted a "clean-up" campaign on the entire system.

Extradition from Ireland 'could be more difficult'

BY NICK OWEN

EXTRADITING alleged terrorists from the Irish Republic to Britain could be made more difficult by introducing a new procedural stage involving the Irish Attorney General, Mrs Margaret Thatcher, the Prime Minister, told the Commons yesterday.

She agreed with Mr Michael Mates (C, Hampshire East) that new safeguards designed to provide added protection for Irish citizens in such circumstances would have the effect of making Britain the "most least favoured nation" in regard to extradition proceedings.

The Prime Minister emphasised that the Irish Government had decided to go ahead with the new procedures despite representations by the British Government.

He contended that to participate in such deals virtually guaranteed that more hostages would be taken in future.

She explained that it was proposed that the Irish Attorney General would have to satisfy himself as to the intention to prosecute the fugitive and the sufficiency of the evidence.

To cheer, she stressed: "It is essential that we maintain effective extradition arrangements so that there is no hiding place for terrorists."

Mrs Thatcher also made clear her distaste for what Mr Lord Brittan (C, Richmond Yorks) described as "the deeply deplorable" deal made by the French Government which resulted in the release of an Iranian terrorist suspect.

He contended that to participate in such deals virtually guaranteed that more hostages would be taken in future.

Private care defended

BY NICK OWEN

A PROPOSED new pay structure being considered could improve the prospects of nurses working in "key specialties", Mrs Margaret Thatcher, the Prime Minister, disclosed in the Commons yesterday.

She again defended private medicine and stressed that those able to benefit from it did not take up beds in the hospital service.

Mr Joan Eadebeck (Lab, Deptford) opened the exchanges by asking the Prime Minister what

advice she would give to a nurse engaged in an intensive care ward who after five years of training earned £7,600 in the NHS and could secure an extra £5,000 a year in the private sector.

Mrs Thatcher shouted down by the Labour benches, replied that nurses working in intensive care wards now earned far more - 30 per cent in real terms - than when the last Labour Government was in office.



All the time the young Thatcherites behind him rapped furiously at his heels.

The bill, he said, was divisive and would damage the country.

"Yes, and your speech is intended to be damaging to the Government," snarled one of his erstwhile colleagues. Mr Heath also criticized the Government for only allowing one day's debate on such an important measure. He goaded his tormentors even more by asserting that what he would have been too glad to give way and hear their objections if only the Government had allowed more time for debate.

Mr Baker shook his head in disagreement at Ted's attacks on the bill and former Tory chairman Norman Tebbit did likewise.

There was no doubt, however, that the majority of Tories in the chamber were wholeheartedly behind Mr Baker. He was given a rousing cheer as he sat down at the end of an impressive and witty speech which convinced him as probably the Cabinet's most formidable performer at the despatch box. He said the aim of the legislation could be summed up in three words - standards, choice and freedom.

One Labour critic shouted an alternative choice of words - "pretty bloody awful."

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Open University to form school of management

By MICHAEL SKAPINKER

THE OPEN University is to set up a school of management which it says will be the largest management training institution in Britain.

The school, which will begin operating in January, will offer courses leading to a Masters of Business Administration degree. Professor Andrew Thomson, the school's dean and director of studies, said yesterday that the Open University would be training 20,000 managers annually by 1992.

The school will incorporate and build on the Open Business School, which was set up in 1983 as part of the university's Continuing Education Division. The Open Business School had an enrolment this year of 6,982 students following courses leading to the Professional Diploma in Management.

The School of Management will be a separate faculty. The Open University's seventh, the others are arts, mathematics, science, technology, social sciences and education. The Department of Education and Science is to contribute £400,000 annually towards the school. The grant will be for three years in the first instance.

The establishment of the school follows the publication of two reports earlier this year calling for a dramatic increase in the quality and quantity of British management education.

One of the reports, by Profes-

John Constable and Mr Roger McCormick, said that only 2,200 UK students received post-graduate degrees in business or management in 1985. The report also found that employers regarded existing MBA courses as too academic and removed from the problems confronting managers at work.

Prof Thomson, who chaired one of the working parties which provided the background for the Constable/McCormick report, said that the real challenge for management schools in the 1990s is to marry university methods and standards to the need of individual managers and organisations. I see the new school as being uniquely placed to achieve this on a large scale.

He pointed out that the Open University's distance learning methods would enable managers to remain in their jobs while they studied. He said they would be encouraged to use problems confronting their own organisations as the basis for course projects.

Students with good honours degrees will be able to complete the MBA in three years. Students without qualifications will have to acquire the existing diploma before moving on to the MBA, a process which could take four years altogether. Fees, which will usually be paid by the employer, will be about £600 a year.

Recession fears are overstated, says report

By Ralph Atkins

FEARS OF a recession following the slide on world stock markets are exaggerated, National Westminster Bank says in its economic and financial outlook published yesterday.

Mr David Kern, chief economist at the bank, says the slump will cut economic growth in the leading world economies. But he estimates there is only about a 25 per cent chance of recession.

Since the slide began in October, Mr Kern has revised his forecast for the average 1988 economic growth rate of countries belonging to the Organisation for Economic Co-operation and Development from 2.5 per cent to 1.8 per cent. He defines recession as a fall in output over a period of at least a year.

For the UK, Mr Kern has adjusted his forecast of growth in 1988 from 2.8 per cent to 2.3 per cent. This compares with an expected growth rate of about 4 per cent this year.

Economic and Financial Outlook, December 1987, National Westminster Bank. Free to customers from branches.

Alice Rawsthorn on recent changes in an old industry

A step forward in shoe design

THREE YEARS ago when Ms Emma Hope left college she set up in business as a shoe designer. She now makes several hundred pairs of shoes a week to be sold all over the world and this week will open her first shop in north London.

Ms Hope is one of a new breed of London designers who, along with Ms Christine Ahrens, Mr Patrick Cox, Mr John Moore and Ms Elizabeth Stuart-Smith, studied shoe design and shoemaking and has put those skills into practice through her business.

For years young fashion designers have poured out of art school to set up their own businesses. Making clothes is relatively inexpensive; shoemaking, which involves complex equipment, is costly. As a result scores of fashion designers begin businesses every year but until recently few shoe designers did the same.

Before the emergence of these designers the British footwear industry was the province of the large manufacturers. Companies such as G and J Clark, British Shoe Corporation, and F&I Group are concerned solely with producing footwear for the multiple retail groups. Their development in the 1960s and 1970s, combined with the recession which ravaged the industry in the early 1980s, spelled the demise of the artisan shoemakers who had flourished in Britain for centuries.

The contemporary designers are the modern counterparts of the traditional shoemakers.



Emma Hope: London designer whose shoes are sold worldwide

Their shoes - for smart shops in big cities such as London, Milan, New York and Tokyo - are steeped in the traditions of the British footwear industry.

All five designers learnt their trade at Cordwainers College in

the East End of London. "Cordwainer" is the medieval term for shoemaker and the college is now in its centenary year.

All five rely on the few surviving artisan shoemakers as a source of production.

In the past, one of the problems for prospective shoe designers has been the high cost of setting up a footwear production unit. Even the most basic equipment such as the last, or the mould which forms the shape of the shoe, is expensive. A shoemaker needs a new last every time the height of the heel or the shape of the foot is changed and a pair of lasts costs up to £20.

In theory a system whereby a designer contracts production out to established manufacturers should reduce the cost. In practice it is fraught with difficulty.

Finding leather suppliers can also be troublesome. Ms Ahrens says it is only recently, since the volume of her output has risen, that she has been able to buy direct from tanneries. Before that she was forced to buy, at a higher price, from leather wholesalers.

The decline of the artisans has ensured that it is difficult to find shoemakers who can accommodate more idiosyncratic designs. Although footwear is still one of the staple industries in London's East End, most factories concentrate on volume production.

Only a handful of the traditional, high-quality shoemakers have survived. This problem is less pronounced in men's footwear - where the market for handmade English brogues has continued - than in women's. Mr Cox has found it comparatively easy to find artisans for his men's shoes, but almost impossible to unearth high quality women's shoemakers.

Edinburgh institutions 'need 40% more room'

By James Buxton, Scottish Correspondent

FINANCIAL INSTITUTIONS in Edinburgh, Britain's biggest financial centre after London, will need 40 per cent more office space to meet firm expansion plans over the next five years.

The finding, from a survey by Scottish Financial Enterprise, the organisation which represents the Scottish financial services industry, underlines the urgent need for more financial office space in the city.

Until recently the Labour-controlled Edinburgh District Council was opposed to a major expansion of financial services in Edinburgh.

Recently, however, it approved plans for a major development which would include offices in the Fountainbridge area just west of the city centre. Other projects are under discussion.

The survey showed that financial institutions in Edinburgh occupy 1.88m sq ft of office space. They believe they will need a further 743,000 sq ft by 1992.

Professor Jack Shaw, executive director of SFE, said the figures backed up SFE's claim that "the Scottish financial community is on a growth spiral."

Unions warn over sale of Crown Suppliers

By DAVID BRINDLE

THE GOVERNMENT will today warn the privatisation of Crown Suppliers, the central purchasing agency for government departments, would damage or even put out of business many small manufacturing companies.

Trade union leaders representing the agency's 1,900 employees will tell Mr Christopher Chope, junior environment minister, that the effects would be felt particularly in areas of high unemployment.

Mr Chope is expected to announce soon a decision on privatisation. Although he is believed to be keen on an early sell-off, no fewer than four reports commissioned by the Government over the past two years have been, at best, lukewarm about the prospect.

The unions will tell the minister that about a third of Crown Suppliers' purchases are from companies employing fewer than 100 workers, often chosen because they are in designated areas and sometimes because they are sheltered workshops for disabled people.

If the agency is privatised, the unions will say, its purchasing policy will be scrapped and many small companies will suffer.

Crown Suppliers, which has a £235m annual turnover, has exceeded its profit target every year since it was established as a trading fund in 1978. The agency's board has told Mr Chope that staff are heavily opposed to privatisation.

More than half of the £76m has come from investors in Patrick's earlier fund, the £10m APA Venture Capital Fund established in 1981 and the £30m APA Ventures II of 1984.

They include Postel, the Post Office's pension fund; Wolverhampton Borough Council; General Life Assurance; Overseas Investors; Gannett Retirement Plan; Abbott Capital Management; and First National Bank of Chicago.

Patrick's has overseas affiliates in New York, Palo Alto in California and Paris, and has a total of £300m under management.

Manchester jobs body increases profits

By IAN HAMILTON FAZLY, NORTHERN CORRESPONDENT

GREATER MANCHESTER Economic Development Corporation more than doubled its after-tax profits to nearly £1.6m in its last financial year, an increase of £845,000 on 1986-87.

The corporation was set up by the defunct Greater Manchester County Council as its job creation and economic development arm. After long wrangling among some hostile councils, it is now supported by the corporation's 10 boroughs.

The annual report shows that the corporation is doing well.

Since its launch in 1979 it has advanced loans and investment totalling \$8m to 50 small and growing businesses. This has drawn nearly £30m of private sector funding and helped to create 4,500 jobs. The original \$8m will be recycled as it comes back

through repayment or realisation of investments.

The corporation has also been successful in property markets. It has sold 11 of 18 workshop developments and only 3 per cent of the total 352,000 sq ft involved remains unsold. Of 205,000 sq ft of older property redeveloped, only 2 per cent is still available.

Two companies backed recently illustrate its role. One designer and manufacturer of high-quality children's wear could not get enough bank support to buy new equipment for expansion. The corporation bridged the gap. The company has increased sales by 140 per cent and taken on 30 staff to employ 67 now.

Another business was being threatened with closure by its parent group.

US bank offers prizes for essays

By OUR ECONOMICS STAFF

AMERICAN EXPRESS Bank has announced that it is offering \$40,000 (\$21,000) in prizes next year in its competition for essays covering international economic developments and policy-making.

The awards, in memory of Robert Marjolin, the distinguished French economist, mark an expansion of the competition after its inauguration earlier this year.

The 1987 competition attracted

184 entries from academics, economists in government and in financial markets and from private consultants in 34 countries. The 11 prize-winning essays were published yesterday by Oxford University Press under the title *Finance and the International Economy*.

For next year, essays of not more than 5,000 words on any subject of relevance to financial markets must be submitted by June.

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JOBS

The question that kills candidates' hopes

BY MICHAEL DIXON

AMONG the multitude of questions asked by recruiters, there is one which has almost certainly dashed more job-seekers' hopes than any other. Which question is it?

My bet is that few readers will be any more able to guess the solution than I was. The reason is that, like myself, you will probably be trying to recall the worst of the barbed or bemusing queries which have been thrown at you face-to-face across some employer's or headhunter's desk.

If so, you have left something crucial out of account. For, if we are to believe two British headhunters with some 60 years of recruiting experience behind them, any candidate who wins an interview is already past the most dangerous stage.

In the view of David Rodgers and Peter Brooks of the DR Associates consultancy, the question which effectively ends most job-hunts arises far earlier. It occurs when the recruiter in the case stops short in reading your initial application, and wonders: "What on earth does he, or she, mean by that?"

As well as being impossible for the absent applicant to answer, it is a question that is also potentially embarrassing for me to discuss.

For one thing, where writing is concerned, it is not only job-seekers who are liable to fail to communicate what they mean, or still worse, to succeed in communicating something they don't. So even to mention the topic is to risk having stones

come crashing through the panes of my own greenhouse.

Another risk involved of course is that jobs column readers may well all be experts in application-writing and the like already. After all, the past 15 years have given me a healthy respect for your abilities. So I can scarcely believe that many of you could be guilty of what Messrs Rodgers and Brooks call "the peculiar, weird, impolite, stupid gauche behaviour of a substantial minority of candidates who do the oddest things and appear hell bent on convincing everyone in sight that they've never managed a practical thought in all their lives."

There nevertheless remains a possibility that the odd one or two of you might be able to profit from some of the advice the two headhunters give in their privately published book, *Improve Your Image*. Moreover it is a possibility which would seem to be increased rather than diminished by the fact that most readers of this corner of the FT are at a pretty senior level in their work. For as the book observes: "A significant comment from several sources relates to the very poor quality submissions from individuals seeking quite senior posts."

The faults most commonly found in the typical curriculum vitae in particular are specified as:

1. A belief that any old accumulation of data will do.

2. Gaps, sometimes of whole years, in the career record.

3. Overlapping dates which seem to suggest that the applicant was at least once doing two different jobs at the same time.

4. Exaggerated claims, particularly as to status.

5. "Stupidly inaccurate" information.

6. Muddled sequence and messy layout.

7. Off-putting changes of style caused by the careless updating of the document.

To make things worse, many job-seekers seem to have "no notion whatsoever as to what happens to an application after it goes into the mail." It is almost as though they supposed themselves to be the only person whose outpourings the recruiter has to find time to read.

For instance, one frequent bugbear is job titles which, in themselves, are apt merely to confuse someone working in a different organisation. "It's as well to ensure that your particular role is quite clear."

Another example is that when people send their cv with a covering letter picking out the most important episodes in their career, they often deliberately omit those same episodes from their curriculum vitae. Their aim in doing so, David Rodgers and Peter Brooks say, is apparently to make the person looking at the cv to turn back and study the accompanying letter. But all they usually make the recruiter do is to screw up the whole application and throw it in the waste bin.

If those examples happen to have set any readers' ears burning, they might do well to dig in their pockets for \$9.95 and buy the book from DR Associates' offices at 3 Guildford Road, Woking, Surrey GU22 7PX; telephone 04862 30351.

For while the authors offer a good many more similarly blunt reflections on the widely neglected basics of the job-seeker's craft, I am now going to turn to other recommendations they make which are of a more subtle - albeit sometimes extremely subtle - sort.

One piece of advice which is relevant to any of you who may apply for posts with international organisations is that it is possible to start creating confusion in the recruiter's mind even by the way you write the date on your application. Although "2/12/87" will clearly convey today's date to British employers, some Americans would take the same symbols to refer to February 12. So it is always best to spell out the month.

Another tip is that, if you have a name such as Patrick Henry, it is sensible to show which of the two is your surname by putting it in capital letters.

Since potential employers often need to photocopy the original application for distribution to colleagues, they will not appreciate letters and cvs which have been folded up numerous times so as to fit into a small envelope.

Silly though it may be for a recruiter to scrap an application for such minor offences, it is

surely still still for a job-seeker not to take every care to avoid committing them.

Champion

RECRUITMENT consultant Malcolm Campbell of Clive and Stokes International is offering a couple of posts at undisclosed locations in Britain with companies he may not name. Accordingly, like the other headhunters to be mentioned later, he promises to abide by any applicant's request not to be identified to the employer at this stage.

One of the jobs is for a "product champion" to take up an idea developed by a United Kingdom energy-industry group and take the lead in carrying it into the production and marketing stage. The main tasks will be to work out which of the various potential uses of the new product are most favourable to a successful launch, and build up the manufacturing capabilities and team of people required.

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The other set consists of about a dozen posts with an expanding British merchant bank. They include a chief accountant, a head of compliance, a company secretary, an internal auditor, senior private banking officers, and assorted trust officers and corporate finance executives.

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A large and well known Japanese bank, with a busy and developing dealing room, is seeking to fill one of the key positions within the trading team.

The requirement is for a very experienced spot dealer who has considerable knowledge of \$/DM.

It is anticipated that the successful candidate will be allowed a fair degree of autonomy in decision making and position running.

Please contact Christine Clayton

Ridgway House 41/42 King William Street London EC4R 9EN
Telephone 01-626 1161

Investment Administrator

To £18,000

This is an exciting opportunity to join the highly successful Investment Department of one of Britain's leading manufacturing companies. They now seek to recruit an Investment Administrator to join their existing team.

Working as assistant to the Administration Manager, the successful applicant will be involved in a wide range of operations, including overseas securities, sterling cash, capitalisations, monthly accounts and settlements instructions.

Candidates, preferably aged 25-35, will have an in-depth knowledge of investments and banking procedures. Experience of securities settlements, both UK and overseas, is essential, as is familiarity with accounting systems.

If you are interested in this challenging position, contact Sarah-Jane Wittridge or Kate Syms on 01-404 5751, or write to them, enclosing a comprehensive curriculum vitae at 39-41 Parker Street, London WC2B 5LH, quoting ref: 3768.



Michael Page City
International Recruitment Consultants
A member of Addison Consultancy Group PLC

FIXED INTEREST

FUND

MANAGEMENT

UP TO £20,000



Royal Life

Royal Life Holdings is part of Royal Insurance plc, a leading worldwide insurance group.

The Investment Division, based in the City of London, is continuing to expand its activities across a wide range of financial markets. We are currently managing a variety of funds with fixed interest assets of over £2 billion.

We are now looking for an additional person to join our Fund Management Team. Commercially aware and numerate the successful candidate will have gained 2-3 years experience in U.K. and International Fixed Interest Markets.

An attractive remuneration package is offered including the substantial fringe benefits associated with a leading insurance company.

To apply please write with full CV to Mrs B M Fowler, Staffing Officer, Investment Division, Royal Life Holdings Ltd, 1 Cornhill, London, EC3V 3QR.
We are an equal opportunities employer.

INTERNATIONAL EQUITY SALES • EURO BONDS • TRADED OPTIONS • INVESTMENT RESEARCH • EQUITY

US EQUITY SALES

As one of the City's foremost UK institutions, recognised internationally for the consistently high quality of its sales and research capability, our client is looking to appoint a top US Equity Sales Executive to market stocks to major European accounts. Ideally, you will hold a good honours or masters degree, be fluent in several European languages and have your own substantial client portfolio. It is unlikely for you to be on a current package of less than \$70,000. If you have the intelligence, ambition and ability to work for this particularly prestigious house, we would be delighted to hear from you.

PRIVATE CLIENT BROKER

This is a unique opportunity for an experienced broker (age 25-32) to join a small but expanding stockbroker. They have identified new areas of opportunity and are soon to be moving into new and larger premises. If you feel that further career development has been stifled or are basically insecure, this may come as a breath of fresh air in the prevalent minimal gloom.

Please apply in confidence to: JONATHAN HEAD on 01-430 1551/2653 or write Executive Selection Division, 9 Brownlow Street, Holborn, London WC1V 9JD.

DULCIE SIMPSON APPOINTMENTS • DULCIE SIMPSON APPOINTMENTS

SALES MANAGER

The Levitt Group is a rapidly expanding Company who require an experienced manager to head-up their sales force.

A knowledge of financial products is essential as is the ability to organise, develop and progress the sales division. This will cover all aspects of sales marketing and recruitment within the division with direct responsibility to the Managing Director.

Your benefits package will include Company Car, Health Insurance and a Company Pension. If you feel that you meet this criteria and are interested in this position, please contact Kim Lubbock on 01-636 5992.

THE LEVITT GROUP
Devonshire House, 1 Devonshire St.,
London W1N 1FX

Merchant Banking Italy

To keep pace with the expansion of our merchant banking activities in Italy, we are looking to recruit an experienced banker to manage and market a wide range of merchant banking products in Italy.

Applicants must demonstrate previous marketing, management and credit skills, preferably from dealings at senior level with customers in Italy. Business development and negotiation will be a major priority, involving frequent travel. A good working knowledge of Italian is essential. It is unlikely anyone aged less than 32 years will have sufficient experience to qualify for this position.

We offer a challenging career opportunity together with an excellent financial package.

Please write, in confidence, to Mrs Alison Clements, Assistant Manager - Personnel, Kleinwort Benson Limited, 20 Fenchurch Street, London EC3P 3DB.

Kleinwort Benson Group

EUROPEAN EQUITY ANALYSTS

££Excellent

Our client is a major UK and international stockbroker which is fully integrated into a well-capitalised investment banking operation. As part of an all-round expansion in its activities we are seeking analysts to research a variety of sectors in Europe. In particular we would like to meet people with two years experience covering Germany, Italy or Spain, or UK Analysts with the requisite language skills and ambition to diversify their experience.

PRIVATE CLIENTS EXECUTIVES

c. £22,000 + Benefits

The continued expansion of the Private Client Department of this major UK stockbroker necessitates the recruitment of an executive with two years experience gained in an established private client environment. Suitable applicants will have direct stock market experience, and should be ambitious to attain management status in the short to medium term.

To discuss these positions further, in strictest confidence, please contact Christopher Lawless, Hilary Douglas or Stuart Clifford on 01-503 0073 (or 01-847 9417 office hours).

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THE FINANCIAL & LEGAL RECRUITMENT SPECIALISTS
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8, LLOYD AVENUE, LONDON EC3.

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£43 per single Column Centimetre
premium positions will be charge £52 per S.C.C.

For Further information call 01-248-8000
Tessa Taylor Ext 3351 Paul Maraviglia Ext 4676
Deirdre Venables Ext 4177 Elizabeth Rowan Ext 3456
Patrick Williams Ext 3694

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Operations Specialists Change Your City Profile

IMRO

c.£25,000 + Benefits

IMRO (the Investment Management Regulatory Organisation Limited) is at the forefront of developments in Regulation and Compliance. There are now additional opportunities to join this professional and dynamic company.

IMRO seeks to appoint high calibre individuals with in-depth experience of operations/settlements gained in an investment management company, bank or broking environment. This is an exceptional opportunity to move into a high profile role involving extensive contact with IMRO members. The wide-ranging nature of the roles offered demand technical and personal skills of the highest order.

You will work both individually and as part of a team in assessing potential members as well as undertaking compliance inspections and investigations. These will centre upon fund management and investment advisory business ranging from the major merchant and investment banks to smaller independent concerns.

For further details, please contact Paul Wilson or Nick Root on 01-404 5751 or write enclosing a full CV to Michael Page City, 39-41 Parker Street, London WC2B 5LH. Strict confidentiality assured.



Michael Page City
International Recruitment Consultants
A member of Addison Consultancy Group PLC

Corporate Finance Executives

City

£Negotiable

Our client is a young but fast expanding organisation, specialising in the provision of a range of financial services to both quoted and unquoted companies, institutional and individual investors.

Further growth in the corporate finance area has led to a requirement for a young professional to work in the following areas:

- Grooming companies for flotation
- Arranging finance for companies both domestically and internationally
- Asset acquisitions and disposals
- Corporate mergers and acquisitions

Candidates are likely to be accountants or solicitors, aged 27-32, with good communication skills, and some exposure to corporate finance work, who now seek a move into a highly commercial and entrepreneurial environment.

An attractive starting package is offered and subsequent success will be rewarded through promotion and the granting of share options.

Please contact Lindsay Sugden ACA on 01-404 5751 or write to her at Michael Page City, 39-41 Parker Street, London WC2B 5LH.



Michael Page City
International Recruitment Consultants
A member of Addison Consultancy Group PLC

PRIVATE CLIENT FUND MANAGERS

£15,000-£60,000

There continues to be demand for high calibre Private Client Portfolio Managers to join major Banking, Investment Management and Stockbroking Institutions, in London and the provinces.

Ideally individuals should be aged 25-35 and have gained at least 3 years day-to-day discretionary or non-discretionary Portfolio Management experience. Attached business is not essential, but would be an advantage.

Whether you are actively looking, or would simply like to be kept informed please contact James Younger at 20, Cousin Lane, London, EC4R 3TE. Telephone 236-7307.

STEPHENS ASSOCIATES
SEARCH & SELECTION IN SECURITIES & INVESTMENTS

FUND MANAGEMENT STRATEGY AND MARKETING

A challenging opportunity to gain experience in
Trustee reporting and fund management marketing

Our client has an opening for a candidate who is already working in investment management and is keen to develop the skills necessary for future fund or marketing management.

As an Assistant Manager within the Company's highly successful investment team, the job will involve reporting to existing clients, at board level, on investment performance. It will also involve the presentation of the Company's services to prospective clients. The Company has a substantial and fast-growing fund management service, which has been able to build upon an outstanding track record in investment performance.

This is an ideal opportunity for those

seeking to develop their career by gaining an overview of asset management and an understanding of global investment strategy. The position has excellent promotion prospects, either within the marketing function or by moving up into fund management.

The position carries an attractive salary and benefits package (including a company car and low interest mortgage) and excellent future prospects. To apply please write in complete confidence to: John Sears and Associates, Executive Recruitment Consultants, 2 Queen Anne's Gate Buildings, Dartmouth Street, LONDON SW1H 9BP or telephone 01-222 7733 for a preliminary discussion.

**John Sears
and Associates**

A MEMBER OF THE SINC GROUP

Assistant Treasurer (Funding)

To be based at our Principal Office in High Holborn. The Successful candidate should be educated to degree level and/or hold membership of a professional body, ideally the Association of Corporate Treasurers.

Nationwide Anglia is the third largest Building Society with an exciting future as a dynamic, customer led, Financial Services Group. We plan to fund part of our future activities by continuing to pioneer Building Society usage of the international money and capital markets. The Assistant Treasurer (Funding) will play a key role in these plans.

We therefore require a high flyer with a successful track record of funding activities together with hedging, to ensure that customer requirements are matched. It is anticipated that this level of experience will have been acquired either with a Corporate Treasury or in a Bank or Local Government.

Salary will not be a barrier for the right applicant, as part of an attractive remuneration package which includes a company car and subsidised mortgage facilities.

Applicants should send full C.V. particulars, including current earnings and describing the relevance of their experience, to the address below: Richard Wharton, Recruitment Manager, Nationwide Anglia Building Society, 15/19 Bloomsbury Way, Chesterfield House, London WC1V 6PW. 01-242 8822 Ext. 2580.



**Nationwide
Anglia**
Building Society

RECRUITMENT CONSULTANTS

a rare and challenging opportunity

The Devonshire Group plc has been formed by a group of experienced international banking and financial recruitment executives.

Encouraged by the promise of continued support by a large number of previous UK and overseas clients, and backed by institutional funds, our aim is to build a business based upon professionalism and personal service, employing consultants of the highest integrity.

Preferably you should be aged 25-35 with at least three successful

years of consulting in the banking and financial services sectors. The rewards will be considerable and will include an excellent base salary, car, private health scheme and performance-related commission.

If you can demonstrate, either on your own or as part of a team, that you possess the necessary skills, contacts and ambition to succeed in this exciting venture, please contact Roy Webb, Managing Director, or call in to our offices for an early, confidential discussion.

Financial Recruitment Consultants



8th floor
7 Birch Lane
London EC3V 9BY

Tel: 01-626 2150
626 2092

Jonathan Wren

UK CORPORATE MARKETING OFFICERS

£25,000 to £35,000 plus benefits

A number of our clients, prime international banks, are seeking several innovative and highly skilled marketing officers of graduate calibre with excellent contacts in the UK marketplace. The successful applicants will be required to market the banks' corporate and ancillary services and to negotiate and develop the banking/borrowing needs of both new and existing clients.

The remuneration packages offered will reflect the importance of the positions and the experience and potential of the appointees.

For further information please contact
Trevor Williams or Norma Given.

LONDON BRUSSELS HONG KONG SINGAPORE SYDNEY

Jonathan Wren
Recruitment Consultants
No.1 New Street, (off Bishopsgate), London EC2M 4TP.
Telephone: 01-623 1266 Fax: 01-626 5258.

STOCKBROKING

OIL ANALYST

A major UK securities house requires an Oil Analyst with at least two years' broking or fund management experience in UK sector coverage.

EQUITY SALES

Our client, a prestigious securities house, wishes to recruit a further Equity Salesperson to service institutional clients. Drive and team spirit essential. Salary package excellent.

RETAILING ANALYST

A well established UK house, backed by a European bank, seeks an investment analyst with minimum of two years' experience in monitoring UK Retailers.

INSURANCE ANALYST

A major UK broking house requires an investment analyst with a thorough knowledge of insurance companies and at least two years' of covering insurance companies.

Contact Dr Elspeth Davidson

01-439 1701

or write to Stockbroking Division

CREDIT SUISSE BUCKMASTER & MOORE LIMITED

Our Corporate Finance department continues to expand very rapidly. To ensure this growth is maintained, we need an outstanding candidate capable of bringing the technical skills and personal aptitudes necessary to survive and thrive in a demanding environment.

If you have:

- absolute honesty
- an understanding of raising finance on the Stock Exchange
- a high level of numeracy and literacy
- good presentational skills
- considerable self-motivation and confidence

Then you could help us to achieve our demanding objectives and you can participate in our success.

If you meet our requirements, then contact Colin Mitchell, Credit Suisse Buckmaster & Moore Limited, The Stock Exchange, London EC2P 2JT or telephone 01-588 2868 and contact him now.



APPOINTMENTS ADVERTISING

£43 per single Column Centimetre
Premium positions will be charged £52 per S.C.C.
For further information call 01-248 8000
Tessa Taylor Ext 3351 Paul Maravilla Ext 476
Deirdre Venable Ext 41787 Elizabeth Rowan Ext 3488
Patrick Williams Ext 3694

U.S. EQUITIES

INSTITUTIONAL SALES

LONDON

A position is available for a senior person to join the London Office of an established midwestern NYSE member firm. Good experience with U.K. or European accounts is required.

Our regional approach to equity research has established our 25 person analytical staff as a leader in our geographic area.

The autonomy of the London Office requires the candidate to exhibit a high degree of independent initiative.

Compensation will reflect applicant's experience and potential contribution to our U.K. Team.

Interested individuals should apply to:

Prescott Ball & Turben Inc,
Forum House, (4th Floor) 15/18 Lime Street,
London EC3M 7AP
Tel No 01 623 5992

SPECIALIST BANKING APPOINTMENTS

BONDS SALES Salary £45-50,000 p.a.
Highly successful securities house seeks experienced bond sales persons with Swiss German, Swiss French or French mother tongue.
SENIOR MANAGER 30s/40s c £40,000 p.a.
PROPERTY FINANCING
Prestigious international bank, committed to City property financing, seeks an experienced banking specialist in this area. The person sought will have had experience of identifying potential City developments, and of arranging financing thereof through syndications with interested banks. This appointment will form part of a carefully planned development of an already successful bank.
CHARTIST c £35,000 p.a.
International bank seeks commodity market analyst - futures, currency, treasury bonds, gilts - to support its dealing room. 5 years' experience is required.
MANAGER SPECIAL FINANCE Max age 35 £25-30,000 p.a.
Reporting to the head of the special finance group, the manager, special finance, will analyse a wide range of project and asset based financings. He/she will take a primary role in infrastructure projects and duties will include client liaison, negotiation of draft terms, credit and documentation.
The background for this appointment will be work experience in a bank in a recognised project finance team or in civil engineering. Accordingly, a degree or similar qualification in civil engineering is essential.

Please telephone Elizabeth Hayford on 377-5040 or write to:

LJC BANKING APPOINTMENTS
Devonshire House, 146 Bishopsgate, EC2M 4JX
01-377 5040

CREDIT OPPORTUNITY

c£25,000-£30,000 + banking benefits + Negotiable Package

"AAA" rated international bank, a major force in the world markets, wishes to strengthen its credit team by appointing an analyst experienced in the UK Corporate Sector.

- You are interested in developing your credit career within a flexible environment where ability and achievement is recognised.
- This is a high profile role working for an organisation committed to developing its relationships with the major UK Corporates; the bank is actively involved in asset based financing.
- You will enjoy being part of an expanding organisation which can offer you a stable platform from which to further develop your career.

If you are interested in the appointment please apply in confidence to Susan Milford - Manager, Financial appointments quoting reference number CG0569.

My client would also like to hear from good calibre, if less experienced analysts who are interested in pursuing their careers within one of the world's major banks.

Telephone: 01-256 5041 (out of hours (0483) 37480)



Management Personnel
Recruitment Selection & Search

10 Finsbury Square, LONDON EC2A 1AD.

TRUST ADMINISTRATION NASSAU, BAHAMAS

A senior opportunity for a seasoned professional with a major international financial institution

This position will appeal to an experienced Trust Officer who is looking for the opportunity to move into an international arena with a highly respected group. The work is varied, extremely interesting and strongly orientated towards Trust, Agency, Company and Investment management.

The person appointed is likely to hold the AIB Trustee Diploma and will have a minimum of seven years' experience, some of which should have been at a supervisory level. Preference will be given to candidates who can demonstrate practical management skills and the ability to handle volume and complexity with efficiency.

The position carries an attractive tax-free salary and generous employment terms which include annual home leave, non-contributory pension and medical cover and a rental allowance. The Bahamas offer excellent recreational and leisure facilities and enjoy a superb climate.

If you would like to be considered for this appointment, please write in complete confidence to: John Sears and Associates, Executive Recruitment Consultants, 2 Queen Anne's Gate Buildings, Dartmouth Street, London SW1H 9BP or telephone 01-222 7733 for a preliminary discussion.

John Sears and Associates

A MEMBER OF THE SMCL GROUP

Corporate Finance Executives

City

£Negotiable

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Please contact: Lindsay Sugden ACA on 01-404 5751 or write to her at Michael Page City, 39-41 Parker Street, London WC2B 5LH.



Michael Page City

International Recruitment Consultants

A member of Addison Consultancy Group PLC

Hoggett Bowers plc

Executive Search and Selection Consultants

A MEMBER OF BLUE ARROW PLC

European Equity Sales/Research £Neg
A prestigious International Securities House requires two quality individuals with at least 2 years experience of European Equity Sales and/or research to join their team. Salary is entirely negotiable according to experience and potential.

Marketing Co-ordinator - Fund Management c£30,000
An established Group seeks a high calibre marketing strategist to co-ordinate the development of its wholesale fund management business. This position answers directly to the head of the company. Candidates are likely to be aged 25-35 with some experience of the investment business.

Marketing Officer - Trade Finance To £25,000
A European Bank in the City is looking to recruit an experienced Marketing Officer who has extensive knowledge of the trade finance sector. Duties will encompass the development of business within the UK corporate sector and also the maintenance of existing account relationships. The successful applicant should have previous relevant experience gained within a banking environment.

Treasury Marketing Officer c£25,000

Prestigious British Merchant Bank seeks an experienced Marketing Officer to promote a broad range of Treasury products to an existing/developing client base. The ideal person, probably a graduate, will have had previous relevant experience within a Treasury function. Reporting to the Treasury Manager, then ultimately a Bank Director, the candidate will be a 'team player' by nature with the confidence and ability to establish/develop client relationships independently. Age c 25.

Junior Fund Manager - US Equities £20,000 plus

A leading Securities House is looking for an individual in his/her mid to late 20's with at least 2 years experience of US equities or Fund Management. There are excellent career prospects in this growth area for an individual with strong analytical abilities.

Compliance Officer £20,000 plus
A Securities House subsidiary of a European banking institution wishes to appoint a Compliance Officer for a section of the company which is becoming increasingly autonomous. He/she will be in their mid to late 20's with a legal background. Experience in a similar role would be useful but is not necessary if the candidate can demonstrate a thorough knowledge of the Financial Services Act.

01-588 4305/6 Moorgate Hall, 153/157 Moorgate, LONDON EC2M 6XB.

CHIEF EXECUTIVE TO SET UP AND RUN A NEW TOUR OPERATION.

Trans World Airlines is a major corporation establishing a wholly owned company which will plan and operate high quality tour programmes throughout Europe, Middle East and North America commencing in 1989. Expected volumes from the USA are 100,000 customers. The company will be based in London and be responsible for all tour programmes to Europe originating in the US. It will also implement a new line of tour programmes and products from various European countries to the US.

We are seeking an experienced, dynamic and highly motivated executive who can expect an exciting challenge and ample rewards. The position offers excellent basic remuneration and incentives directly related to the results of the division together with the benefits normally associated with a major travel company.

We will be arranging interviews shortly. If you have the qualifications and experience and would like to be considered for this position, please send your C.V. to Ms. S. Drake, TWA Human Resources International, 68 Knightsbridge, London SW1X 7LR. Telephone responses will disqualify.

Trans World Airlines is an equal opportunity employer.

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We are now recruiting Nationally and require 200 Consultants to sell pension and Life policies. If you are an experienced Sales person and require an income in excess of £20,000, we will give you full product training by way of a residential course and in field management. We also offer a retainer and Car after a trial period, if you would like to work for a company which will soon be Britain's largest in insurance-Join us now!

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c26,000 +

One of Britain's leading publishers of economic and financial newsletters require an

ECONOMIST/EDITOR

Successful applicants will be c-30-40 years of age and will have a profound and proven knowledge of industrial economic studies, data management, foreign exchange, investment, raw material and metal markets. Knowledge of German an advantage but not essential.

Apply with full details to:
Messrs Hissain Bakman and Co
212 Strand, London WC2R 1AP

MAJOR GERMAN BANK requires a

SENIOR CORPORATE TRADER

With a proven record in marketing Treasury products to UK Corporate Customers. The ideal candidate will be a self-starter with the enterprise to build on and expand the existing substantial customer base. Salary and benefits will be commensurate with the experience of the successful candidate.

Please reply with CV to:
Box A0743, Financial Times,
10 Cannon Street, London EC4P 4BY

INVESTMENT FUND MANAGER

28-35 years

£50k Pkg

This small and innovative financial services company has enjoyed phenomenal success in a high growth market. With a committed strategy to gain USM status, the success to date has largely been due to the ability to respond swiftly and effectively in an increasingly sophisticated business environment. Consequently, a primary emphasis will be placed on the maximum utilisation of the computer-based information systems. An outstanding opportunity now exists within the management team.

The ideal candidate will have 3 to 5 years experience in the portfolio management of unit trust, investment bonds and fixed-interest securities.

In addition to working with a small team, your technical expertise will involve the development of

marketing activity through the coordination and presentation of products to seminar groups.

In order to produce high returns, both on yields as well as management income, computer-based chart and technical analysis will be used to evaluate fund performances and make investment decisions.

The attractive remuneration package is likely to include eligibility for equity participation.

Please contact Anna Marshi of our City Division on 01-930 7850 (evenings/weekends 01-486 0940). Alternatively, write enclosing full details to the address below. All contact will be treated in the strictest confidence.

ROBERT • WALTERS • ASSOCIATES

EXECUTIVE SELECTION

66-68 Haymarket London SW1Y 4RF Telephone: 01-930 7850

Registrar

High-profile Unit-Trust Group
Surrey Based

to £25,000 basic salary plus benefits

There are very few senior registration positions available in the financial sector, especially with a unit trust company whose parent is a household name and one of the largest public limited companies in the United Kingdom.

This exceptional opportunity is to head up and expand your own department. Your brief will involve all aspects of running a team, producing an efficient service whilst providing a highly proficient technical back-up for the registration function.

You will probably be aged between 25 and 40 with a sound background in registration gained within a unit trust group, bank or other financial institution. The prime

requirement for this post is a high level of technical expertise. Experience of managing staff, whilst not essential, would be a distinct advantage.

The appointee can look forward to a clear and logical career path encompassing new challenges and continuing job satisfaction.

The benefits package, including relocation where appropriate, is excellent reflecting the importance of the position.

For a strictly confidential discussion, please telephone or write to Robin Douglas quoting reference 1084.

FLA

55/56 St. James's St., London SW1A 1LQ
Tel. 01-491 3811

FINANCIAL • SEARCH • AND • SELECTION

MORTGAGE FINANCE Business Development Manager

£35,000 + extensive benefits

This is a key managerial position in the rapidly growing mortgage finance division of one of the UK's largest and most influential financial groups. The Business Development Manager will play a major role in formulating and implementing business strategy to ensure continuing substantial and profitable growth in this very competitive market.

Based in Central London, responsibilities will include managing relationships with wholesale financiers; close liaison with sales and marketing management throughout the group on all aspects of campaigns and new product development and control of a small team monitoring performance and forecasting lending requirements.

Applicants must have strong managerial and communicative skills and the intellect and presence both to negotiate and to make formal presentations. With a proven record in the financial services sector, background could be either financial or sales/marketing with a strong financial awareness.

Salary is negotiable and extensive benefits include a non-contributory pension, car and low cost mortgage.

Please write with full career details to David Tod BSc FCA

quoting reference D/667/MF

LLOYD MANAGEMENT Selection Consultants 127 High Holborn London WC1V 6LX 01-407 1499

International loans experience? Fluent Italian?

MARKETING OFFICER SOUTHERN EUROPE

An outstanding career opportunity

£25,000+ benefits package

Established in the UK almost a quarter of a century, our client is the London Branch of a major Japanese bank, with a network of branches and representative offices in more than 20 countries. Innovation and enterprise are the keynote of their European business, and the London Branch has witnessed especially rapid growth over the last two years, nearly doubling the local staff complement in the process.

Marketing support for the Bank's representative offices in certain Continental European countries is provided on a visiting basis by London. In extension of this policy the Bank now proposes to appoint a Marketing Officer for Southern Europe, principally to support and expand lending operations in Italy and Spain.

Probably aged 25-30 and educated to degree standard, you

will have a minimum of 1-2 years' international banking experience, including exposure to cross-border lending. You will also speak fluent Italian, while some ability in Spanish would be advantageous. Mature in outlook, decisive, able and energetic, you will demonstrate the self-confidence and the judgement necessary to initiate and sustain new business opportunities unsupervised, coupled with a readiness to contribute positively in a team situation. Enterprising and ambitious, you will also instantly recognise that this is an outstanding and exceptionally attractive career opportunity offering immense job variety and potential.

Interested? Then write, in total confidence to me, Anthony Singleton, enclosing a detailed CV and explaining why you consider you are ideally qualified for the job.

PLANNED PRE-SELECTION SERVICES
51-53 GRAY'S INN ROAD, LONDON WC1X 8PP



CORPORATE ANALYST

International Bank

This attractive career development opportunity for a young banker is offered by a long established London branch of a leading international bank. Syndicated and commercial loans constitute the bulk of the branch's current business portfolio although its broad spread of activities includes eurocurrency and FX dealing, documentary credits, securities, interest rate swaps and futures trading. Lending strategy is generating increasing business with European commercial corporations and public authorities. The appointment of a Corporate Analyst will provide a new specialist service to this section, both for the bank and its customers.

To fulfil the dual role of assessing credit risk for the bank and providing a financial consultancy service to customers, the appointee must hold a good University degree and offer at least two years appropriate experience of corporate banking gained with an institution of high standing. A pleasantly confident and outgoing personality is sought, so that customers can be serviced directly and career development be pursued in a wider business promotion role.

Salary is negotiable and the remuneration package will include a range of banking benefits.

Please send full C.V. to Mike Blanckenhagen, quoting reference K3077/L

KPMG

Peat Marwick McLintock

Executive Selection and Search
9 Creed Lane, London EC4V 5BR

BUSINESS SYSTEMS ANALYSTS FINANCE AND RISK SYSTEMS

City

Package to £25,000

Midland Montagu is the investment banking and securities arm of Midland Bank Group. Our acknowledged strengths, in the UK and abroad, are in the areas of foreign exchange and treasury products, Government and corporate bonds, corporate finance, venture capital and investment management. We have recently started an aggressive development programme which will result in the integration of all our application systems, spanning trading, operational, financial and risk systems. As part of this programme, we are seeking a few key individuals to make a significant contribution to system initiatives in the Finance and Risk areas. There will be interesting and varied involvement throughout the Company's operations, with an emphasis on financial control, risk management and compliance. Specifically, this will involve liaising closely with senior management to formulate high level designs, translating requirements into functional and technical specifications, and planning and co-ordinating the development, testing and implementation of these new systems.

Candidates should be able to demonstrate a minimum of 2 years business systems analysis and design experience, preferably in an IBM, DEC or Tandem environment. Implementation of general ledger, risk management or other financial control systems is essential and exposure to multi-currency accounting would be an asset.

The application of data analysis techniques is highly desirable as is the ability to project a credible professional image at senior levels. Candidates should also possess a good degree or accounting qualification.

A substantial initial salary is offered, together with an excellent range of banking benefits. A car will be provided for senior appointments.

To apply, please send a CV or telephone for further information to Andrew Menhennet, Manager, Personnel Operations, Midland Montagu, Suffolk House, 5 Laurence Pountney Hill, London EC4R 0EU. Telephone 01-260 0790.

Midland Montagu

ASSISTANT GENERAL MANAGER UK/EUROPEAN MARKETING

Salary £70,000 p.a. negotiable

Our client, a highly respected and renowned international bank, seeks a senior head of UK and European marketing.

The ideal candidate, a graduate, will probably already be an associate director working for a leading bank in the market, will probably be American bank trained and will have extensive experience of and contacts in UK blue chip companies and in French, Scandinavian and Italian corporates.

A full range of commercial banking and capital market products will be covered. Strong powers of leadership are essential to take overall charge of an existing successful marketing team, as is ability to conduct negotiations at the very highest level. The age range is 38-45.

For the right person, a unique opportunity exists for career advancement in this organisation which has a well planned and aggressive development policy.

Please ring Elizabeth Hayford on 377-5040 or write to her at:

LJC BANKING APPOINTMENTS
Devonshire House, 146 Bishopsgate, EC2M 4JX.
01-377 5040

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Salary c £20,000 + Benefits

Halifax Building Society, the largest provider of home loans in the UK, is expanding into the commercial loans field and has already achieved a significant portfolio of commercial securities.

This senior post, which will be based in Halifax Head Office, will be responsible for the selection and processing of business for a multi-million pound commercial funding programme and for the future planning and development of the Society's role in this area of activity.

Candidates, who will ideally be RICS qualified, must have had at least 5 years' experience in commercial property dealings and be familiar with the full range of funding mechanisms appropriate to this market. Thorough knowledge of commercial property valuation processes will also be essential.

In addition to an attractive salary range, benefits include the provision of a car, concessional mortgage facilities, life assurance and BUPA.

To apply, please send a full CV (ref: CLM) to: General Manager, Personnel and Services, Halifax Building Society, Trinity Road, Halifax, West Yorkshire, HX1 2RG.



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Salary negotiable circa \$24,000 plus car, other benefits and bonus potential

Greyhound Guaranty Limited, a wholly owned subsidiary of The Greyhound Corporation is a London-based bank undertaking consumer finance and commercial lending in the property and business sectors. It is seeking to add to its marketing team an active and enthusiastic individual who will personally undertake new business development. The job requires good negotiating skills together with a sound general banking background, including credit assessment experience.

Applicants for this position should send details of their qualifications and experience indicating current salary to Ms. P. Taylor, Human Resource Manager, Greyhound Financial Services Limited, 11 Albermarle Street, London W1X 3HE.



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You must have made a significant contribution and have proven credibility in your own specialist field, probably as a line manager or Senior Consultant. The ability to recognise the root of a problem

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If you feel you have substantial experience in the above areas and would like to explore a career opportunity where progression is limited only by your own ability, then please contact our Advising Consultant — James Baker or forward a full CV to the following address:

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We have several openings in Fund Management and Broking in New York, including an attractive package on an ex-patriot basis.

Only candidates with relevant working experience should reply.

For further information on the above please telephone, or write enclosing a curriculum vitae to:
John Osbourne or
Rene Miller
FLETCHER JONES LTD
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EH2 4AS
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Jane French or
Richard Fletcher
FLETCHER JONES LTD
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Please reply in confidence quoting reference 1519F to: Geoffrey Rutland, Executive Selection Division, Binder Hamlyn Management Consultants, 8 St Bride Street, LONDON EC4A 4DA.

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Please reply with CV to
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Corporate Banking

City

The continued expansion of our activities means that we are seeking to make a number of appointments in our Central — Corporate Marketing area.

CORPORATE MARKETING MANAGER — c£24K + Banking Benefits

Corporate Marketing is responsible for the identification of and research into large and medium sized companies with a view to marketing lending facilities and banking services generally. The successful candidate, who will report directly to the Department Head — Corporate Finance, will be able to demonstrate a proven record of account relationship management. It is likely that he/she will be in a similar role already and looking for greater challenge. Applicants should be at least 27, ACIB qualified and have a minimum of 5 years relevant experience.

SENIOR CREDIT OFFICER — c£20K + Banking Benefits

The prime responsibility will be to identify and analyse, to the highest standards, large and medium sized UK Companies. Relevant experience in risk assessment and in documentation and control procedures is essential. The post supports a team of Corporate Finance Managers who are responsible for providing facilities (including acceptance credits and Sterling and currency loans), to both Sovereign and Corporate entities.

CREDIT ANALYST — c£15K + Banking Benefits

An opportunity also exists for a credit analyst who will be responsible to the Corporate Finance Credit Officers for the provision of a comprehensive service covering the assessment of credit status and business potential. Applicants should be able to demonstrate some previous experience and knowledge of credit systems and should be ACIB qualified or actively seeking to become so.

You should apply in writing enclosing a full cv, including details of present remuneration, to:



Mr R Bentley, Development and Training Manager
TSB England & Wales plc, Administration Centre,
100 Lower Thames Street, London EC3R 6AQ.

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Candidates must have significant experience in the Corporate Finance Department of a leading Issuing House or Stockbroker and must display the ability to initiate, structure and close successful deals.

A substantial remuneration package plus bonus and the usual ancillary benefits will be offered. There are prospects of rapid promotion to the Board.

Please write in strict confidence to:



Mark Phythian-Adams,
Managing Director, Corporate Finance,
Henry Ansbacher & Co. Limited,
Priory House,
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Management Roles in Private Client Stockbroking

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We would therefore like to talk to ambitious people who have a background in private client stockbroking. What is on offer is a career involving the application of technical stockbroking knowledge, the management of people and also systems based upon sophisticated computing technology.

We recognise that this is almost certainly different to your previous experience in this field. Provided, however, you have the capacity to apply your knowledge in a role with clear management responsibilities in a rapidly growing environment we would be interested to talk to you.

The package on offer should be attractive to those with at least four years experience in relevant areas and the appointments offer career horizons that are probably not available in traditional stockbroking.

Applicants of either sex should apply in confidence to Michael Johnson on (0862) 844242 (24 hours service) or write to Johnson Wilson & Partners Ltd., Clarendon House, Hyde Street, Winchester, Hampshire SO23 7DX, quoting ref. 796.



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Independent Treasury Economic Model Club Ltd
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ITEM is a prestigious independent forecasting group comprising economists from a cross-section of industrial and financial companies and sponsored by Ernst & Whinney, the international accountants, advisers and consultants. The group is seeking an experienced Economist to run their economic models and to plan and administer their activities. The job, based in London or Oxford, will entail operating and developing the Treasury's model of the UK economy and a version of Oxford University's world model in liaison with club members.

The successful applicant will have a good degree in economics, and possess a sound knowledge of econometrics. He/she will have at least two years experience of running econometric models, a good knowledge of current economic policy developments, and the ability to communicate effectively in person and in writing the results of forecasts and research projects to club members and the media.

This post offers an exciting challenge to the right person and the salary will be competitive.

Applications with detailed curriculum vitae, should be sent to:

Marc Hendriks
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3 LONDON WALL BUILDINGS, LONDON WALL, LONDON EC2M 5PJ. TELEPHONE: 01-588 3588 or 01-588 3576. TELEX: 01-258 8501. FAX: 887374.

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We also have opportunities at Berkeley Square for enthusiastic individuals with experience of securities settlements or portfolio valuations.

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If you want to build your career with a progressive international organisation, please send your full career details, including current salary, to Derek Froud, Private Banking Group, 41 Berkeley Square, London W1X 6NA.

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The vacancy arises because Flemings are about to form a trust corporation specialising in the provision of trustee services to existing private clients. An entrepreneurial instinct and willingness to travel so as to promote the business would be a distinct advantage.

A full salary package commensurate with relevant experience is available.

Applicants of either sex should write enclosing their CV to:

Nicholas Owen
Managing Director
ROBERT FLEMING (Isle of Man) LIMITED
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EQUITY RESEARCH**U.K. AND EUROPEAN HOLDING COMPANIES**

The requirement is for an Equity Analyst covering selected Industrial Holding Companies.

The ideal candidate should have a minimum of two years relevant research experience, be professionally qualified and have good written and verbal communication skills.

Sector experience would be viewed very favourably as would a good knowledge of accounting procedures.

The successful candidate would be working within a small and highly rated team, seeking to expand research coverage.

Please reply, enclosing full CV, to:
John C. Wellmeyer, Managing Director,
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Contact: Janet Stockton or Nick Root.

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Contact Jane Harvey.

Equity Research

Shipping and Transport Analyst. A leading UK institution seeks an experienced Shipping and Transport Analyst. £ negotiable.

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Contact Janet Stockton or Nick Root.

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A large US Investment bank is currently looking for experienced settlement specialists to join their expanding team. Candidates should have at least 2 years' experience of Eurobonds, equities or FX settlements. £ negotiable

A major European house seeks international equity settlements staff with at least 3 years' experience. £ negotiable

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A major UK merchant bank seeks a qualified ACA/Lawyer with demonstrable compliance experience to complement its group compliance Department. £35,000

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Contact Charles Ritchie.

Michael Page City, 39-41 Parker Street, London WC2B 5LH. Telephone No. 01-404 5751

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Treasury Consultancy

Hambros Corporate Treasury Consultants Limited, the new operating subsidiary of the Merchant Bank, is seeking a graduate chartered accountant to join the existing team.

We offer advice to clients on specific foreign exchange and money market problems, as well as on more general treasury issues.

The successful candidate will possess a thorough understanding of treasury products and risk management techniques gained, in all probability, from 2/3 years experience in the central treasury of a large U.K. or multinational company.

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Please write, enclosing a detailed CV to Mr. G. L. Steward, Managing Director, Hambros Corporate Treasury Consultants Ltd., 41 Bishopsgate, London EC2P 2AA.

**HAMBROS****Chief Forex Dealer****Negotiable salary**

Girobank, one of the UK's leading and most progressive clearing banks, is seeking to strengthen its City based Treasury team by the appointment of a Chief Forex Dealer.

Reporting to the Treasurer, this key position carries responsibility for the bank's foreign exchange and currency deposits trading and for providing competitive foreign exchange dealing services to the bank's customers.

Candidates must be of graduate calibre with considerable dealing and foreign exchange market experience. An outgoing personality capable of strong rapport with customers is essential, coupled with confident negotiating skills. The post could suit an experienced trader who is looking to move into a management role.

To attract the right individual, we are offering a negotiable salary, together with relocation assistance if required.

Please forward a detailed CV, or for more information, contact: Ross Copé, Treasurer, Girobank, 10 Milk Street, London EC2V 8JH. Tel: 01-600 6020 ext 207.

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We are an International and diversified Company and with a Corporate Group Headquarters in Brussels. We now require a qualified Company Secretary aged 35-42 with corporate experience to be based in Brussels to coordinate the regulatory and statutory matters relating to the Companies within the Group. Versatility is an essential attribute. An excellent package will be tailored to the right individual.

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North American Analyst

Morgan Grenfell Asset Management Limited is one of the most successful international investment management companies. We are now seeking an additional experienced analyst to join our specialist regional team based in London covering the North American equity markets.

The successful candidate will cover selected sectors of the US market and Canada. He or she would be expected to play an active role in the formulation of investment strategy based on analysis of these markets. In due course there would be an opportunity to manage regional funds.

This is a demanding but potentially exciting opportunity for a self-reliant analyst who would enjoy working in a small team within a large and dynamic firm. Candidates must have a minimum of 2 years experience of the North American markets and are likely to have had 5 years experience of investment analysis in general.

In addition to an attractive salary and bonus scheme, we offer a substantial benefits package in line with the importance we attach to this post including company car, mortgage subsidy, non-contributory pension and BUPA.

Please write, in confidence, with full CV to:

Stephen Brooks
Personnel Manager
Morgan Grenfell
Asset Management Limited
46 New Broad Street
London EC2M 1NB

**MORGAN
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International Mergers and Acquisitions

We are seeking ambitious graduates or recent MBAs with existing work experience and an interest in the international mergers and acquisitions market to join a specialist team recently formed to develop the bank's expanding business with Japanese companies investing overseas and foreign companies seeking access to Japanese markets. The team, though based in London, works closely with our Tokyo and other overseas offices.

We are looking for creativity, enthusiasm, self-reliance and commercial acumen. Japanese or other language skills would be an advantage but are not essential. Ideal candidates would be in their mid 20s to early 30s.

We can offer an attractive salary and excellent benefits which include a preferential mortgage scheme, non-contributory pension scheme and private medical care.

Applications including full personal and career details should be sent to:

Helen Rigby
Personnel Manager
Morgan Grenfell & Co. Limited
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London EC2P 2AX

**MORGAN
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Experienced Institutional Sales Personnel
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Experience in particular is highly valued for the Sales function. These positions offer excellent career prospects to the right, self-motivated individuals. In addition the remuneration package will prove attractive to the right applicant.

Please Apply to: The Managing Director
Sassoon (UK) Ltd
The Counting House
53 Tooley Street
London SE1 2QN



Merchant Navy Investment Management Ltd.

MERCHANT NAVY INVESTMENT MANAGEMENT EUROPEAN EQUITIES PORTFOLIO MANAGER

Merchant Navy Investment Management is an independent, profitable, well capitalised investment management company, operating in the city of London and managing assets on behalf of pension fund and investment trust clients.

We now have a vacancy for a portfolio manager to cover Continental European quoted equities. Applications are invited from candidates with experience in European or UK equity fund management, keen to work within a relatively small team where the accent is on individual contribution to the overall effort and where that contribution is recognised and rewarded.

Compensation and appropriate benefits will be competitive and attractive. If you are looking for a secure base where your success is seen to matter write enclosing your CV to:

John Prigent,
Merchant Navy Investment Management,
30 Finsbury Circus,
London EC2M 7QQ.

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If you are interested in any of the above or have other stockbroking experience, please call Cambridge Appointments on 01-377 8488

or send your cv to:
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MATTER OF DEGREE -

two in fact. A lady Scots lawyer, aged 34, convinced that they could be more rewarding used than they are now, would welcome appropriate suggestions from any quarter.

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CONTRACTS

Booking facilities for Spanish cruise ships

One of the largest cruise ship companies in Europe, Transmediterranea of Spain, has selected UNISYS to develop and implement its Sirena real-time reservation system. The initial value is estimated at over \$2.2m (\$1.2m).

The Sirena marine reservation system will be implemented in two phases and is scheduled to be fully operational in 1989. The initial phase comprises the installation of a Unisys 1100/70 multi-processor system and related software, as well as 200 terminals linking Transmediterranea's own travel agencies throughout Spain.

The second phase will include the automatic issue of tickets, control of shipments, connection to independent travel agencies and an international distribution system. The Sirena project will cover all of Transmediterranea's traffic sectors which includes shipping lines between the Spanish Peninsula and the Balearic Islands, North Africa, the Canary Islands and routes between the Canaries and Balearics.

Orders totalling \$1.25m have been won by M. TRANSPORTES (UK) in both domestic and overseas markets. The UK order, worth \$500,000, is for the supply of power and distribution transformers for the BOC facility near Southampton.

The overseas orders include almost \$700,000 from John Brown Engineering for generator transformer and ancillary equipment. The hardware will be used

for a gas turbine power station project currently underway in Panama.

The third order, worth almost \$100,000, involves the supply of auxiliary and distribution transformers to Balfour Beatty. The latter is involved in upgrading the electrical network in the Republic of Cameroon's north-west province.

BARRY D. TRENTAM, building contractors, has clinched a \$1.2m management contract for the complete refurbishment of Canine House, the old British Telecom offices in Edinburgh as part of a total \$4.8m contract awarded in central Scotland in October and November.

The Canning House project for Tanap Investments (UK) of Kent involves a complete "gutting" of the building new ceiling, new access raised flooring, new electric, decoration and replacing all of the 1,200 windows in the office block. The management contract commenced on November 20 1987 and will be completed at the end of April 1988.

The awards include a major supermarket at South Queensferry for Scotland, a \$1.5m warehouse and office block for A. G. Barr in the Galloway, Glasgow, landscaping at the DBSS offices at Cambridge for the S.D.A. and an unusual job at the Royal Colindale Health Pool, Edinburgh, involving the erection of four large water funnels together with an access tower, launch platform and landing pool worth approximately \$700,000.

LEMENDA TRADING CO LTD v AFRICAN MIDDLE EAST PETROLEUM CO LTD Queen's Bench Division (Commercial Court). Mr Justice Phillips. November 3 1987.

AN ENGLISH law contract for payment of commission in return for using personal influence to procure a benefit from a foreign government minister is unenforceable if, as well as being contrary to English public policy on moral grounds, it is contrary to public policy in the country of performance.

Mr Justice Phillips so held when dismissing a claim by Lemenda Trading Co Ltd to recover commission for using its "good offices" in assisting to procure renewal of a contract between the defendant, the African Middle East Petroleum Co Ltd (Amep), and a Qatar state corporation, Qatar General Petroleum Company (QGPC).

MR JUSTICE PHILLIPS said that Lemenda was a company registered in Nassau and Amep was a company registered in London. The evidence suggested that they were no more than convenient corporate vehicles for the business activities of their respective principal shareholders, Mr Hassan Yassin, a Saudi Arabian, and Mr Fakry Abdelnour, an Egyptian.

QGPC was the national oil corporation of Qatar and was owned and controlled by the Government. The Minister of Finance and Petroleum was also ex-officio chairman of QGPC.

His policy in Qatar, and was consequently void and unenforceable in Qatar. Had the Minister become aware of the agreement, any chance of the renewal of the supply contract would have been destroyed.

The commission agreement was governed by English law. Performance was to be in Qatar. The evidence did not show that commission agreements in connection with a QGPC oil supply contract violated any provision of official practice, it was prohibited and was accordingly contrary to Qatar public policy.

There was a clear distinction between acts which infringed public policy and acts which violated provisions of law. Qatar public policy could not of itself constitute any bar to enforcement of the agreement. It might, however, be a relevant factor when considering whether the defendant sought to enforce the agreement was to be paid by the other for using personal influence to procure a benefit from a third party.

In *Monieffore* [1918] 2 KB 241 the plaintiff claimed under a contract which he alleged entitled him to commission for procuring a government loan to the defendant, to be used for the manufacture of aircraft components.

Mr Justice Shearman said "It is contrary to public policy that a

1984 between Amep and QGPC, QGPC was to supply Amep with 750,000 barrels of crude oil per month for six months.

On the same date Mr Abdelnour signed a side letter, confirming that no commission would be paid to anyone for obtaining benefits in respect of the contract, and that contravention of that term would lead to termination of the contract.

In July 1985 the supply contract was renewed for one year for 80,000 barrels per day of crude oil.

Lemenda claimed it was entitled to \$2m commission, at the rate of 30 cents per barrel shipped under the renewed contract.

It relied on an oral agreement made between Mr Yassin and Amep whereby Lemenda was to assist Amep in negotiations with QGPC for renewal of the supply contract and, in the event of renewal, Lemenda was to pay Amep \$20,000 per barrel.

Amep admitted it entered into the commission agreement, but contended that Lemenda was only entitled to commission if it procured renewal before April 1 1985.

There was no dispute as to the overall nature of the agreement. Mr Yassin's task was to use personal influence within QGPC in an endeavour to procure renewal of the supply contract.

person should be hired for money... when he has an access to persons of influence to use his position and interest to procure a benefit from the government".

The facts there were close to those of the present case.

From somewhat sparse authority it was possible to deduce the following principles:

(1) It was generally undesirable that a person in a position to use personal influence to obtain a benefit for another should make a financial charge for doing so, particularly if his pecuniary interest would not be apparent.

(2) It was undesirable for intermediaries to charge for using influence to obtain contracts or other benefits from persons in a public position.

It was a feature of decided cases that contracts invalidated on public policy grounds had involved influencing someone in a public position, though whether that was an essential element had yet to be decided.

In certain circumstances the employment of intermediaries to lobby for contracts or other benefits was a recognised and respectable practice.

In the present case the significant facts were (1) that the influence to be exerted by Mr Yassin was on the controlling minister of a state-owned corporation; (2) it was essential that the person influenced should be unaware of Mr Yassin's pecuniary interest; and (3) the amounts at stake, in terms of value of the contract and size of the commission, were enormous.

Had the agreement related to procurement of a contract from a British government department of a state-owned industry, there was no doubt it would have been unenforceable by reason of English public policy.

The question was whether that policy was a bar to enforcement, having regard to the fact that performance of the commission agreement was to take place in Qatar.

Some heads of public policy were based on universal principles of morality. Where a contract infringed such a rule the English court would not enforce it, whatever the proper law of the contract and wherever the place of performance.

Other principles of public policy might be based on considerations which were purely domestic. There seemed no good reason why they should be a bar to enforcement of a contract to be performed abroad.

The principles underlying the public policy in the present case were essentially principles of morality of general application.

The practice of exacting payment for the use of personal influence, particularly when the person to be influenced was likely to be unaware of the pecuniary motive, was unattractive whatever the context.

Yet it was questionable whether the moral principles involved were so weighty as to lead an English court to refuse to

enforce an agreement regardless of country of performance and its attitude to such a practice.

Later English decisions were influenced, at least in part, by the effect of the practice on good government in England. It was relevant to consider the law of Qatar.

Qatar had the same public policy as prevailed in England. Because of that policy Qatar courts would not enforce the agreement.

English courts should not enforce an English law contract to be performed abroad where (1) it related to an adventure which was contrary to a head of English public policy founded on general principles of morality; and (2) where the same public policy applied in country of performance so that the agreement would not be enforceable there.

In such a situation international comity combined with English domestic public policy to militate against enforcement.

For those reasons the court would not entertain the action, and the claim was dismissed.

On the evidence, had the claim been justiciable in the English court, it would have failed on the ground that Lemenda did not prove it had earned the commission claimed.

For Lemenda: Stephen Silver QC and Stephen Phillips (Field Fisher & Martinson).

For Amep: David Bean (Llewellyn White & King).

By Rachel Davies Barrister

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Nationwide Anglia NEW RATES

From 1st December 1987

MORTGAGES
The rate of interest charged on new and existing mortgages for owner occupier borrowers will be 10.3% from 1st December 1987.

SHARE ACCOUNT & CASH BOOSTER	4.00%
TOP SAVER (including 1% Birthday Bonus)	5.00%
FLEXACCOUNT	
£1-£99	2.00%
£100-£499	3.00%
£500 and over	4.00%
BONUSBUILDER	
£1-£499	4.00%
£500-£1,999	5.75%
£2,000-£4,999	6.25%
£5,000-£9,999	6.50%
£10,000-£24,999	6.75%
£25,000 and over	7.00%
CAPITAL BONUS	
£500-£4,999	6.75%
£5,000-£9,999	7.00%
£10,000-£24,999	7.25%
£25,000 and over	7.50%
Half-yearly or monthly income rates	
£500-£4,999	6.50%
£5,000-£9,999	6.75%
£10,000-£24,999	7.00%
£25,000 and over	7.25%
Monthly income rate available from £2,000	
CAPITAL BOND	
£1,000 and over	7.50%
INCOME BOND	
£2,000 and over	7.25%
INTERNATIONAL ACCOUNT	
£1-£9,999	Gross 8.75%
£10,000-£24,999	Gross 9.25%
£25,000 and over	Gross 9.75%
Monthly income on £2,000 and over at the following rates	
£2,000-£9,999	Gross 8.50%
£10,000-£24,999	Gross 9.00%
£25,000 and over	Gross 9.50%
DEPOSIT ACCOUNT	3.75%
TREASURERS ACCOUNT	
Details of prevailing rates at all branches.	

FOR INFORMATION

Existing account holders only.	
Interest on all other accounts with the merged Society have been reduced by 1% with the following exceptions.	
FLEXACCOUNT PASSBOOK & CASHLINK	
£1-£499	4.00%
£500 and over	5.00%
MONTHLY SAVINGS	
£1-£300pm	5.50%
INSTANT GOLD OVERSEAS	
£1-£249	Gross 5.25%
£250-£4,999	Gross 5.25%
£5,000-£9,999	Gross 5.75%
£10,000 and over	Gross 5.25%
CAPITAL SHARE 30 OVERSEAS	
£500 and over	Gross 8.00%
CAPITAL SHARE 90 OVERSEAS	
£500 and over	Gross 9.20%



Nationwide Anglia Building Society

Nationwide Anglia Building Society
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All rates quoted are net annual interest rates, assuming basic rate income tax at 27%, except where indicated. All other terms and conditions relating to the above accounts remain unchanged.



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Banca del Gottardo
Banco di Roma per la Svizzera
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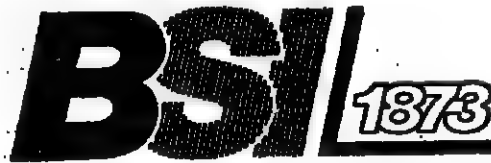
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Wednesday December 2 1987

A lesson for Jaruzelski

ELECTORATES are strange instruments - even in the hands of practised players such as President Reagan and Mrs Thatcher who can produce bizarre tunes if one listens only to the numbers.

In Poland General Jaruzelski is still at the stage of five finger exercises in the art of democracy and last Sunday's referendum has left him with an awkward problem. His exercise in consulting his people on a programme of economic and political reform - a programme to whose essential direction there is no real opposition in Poland and has not been for the past six years - was presumably intended to demonstrate to the world the reality of Polish democracy in action. Instead it has shown that if boosting the General's image internationally is the price of reform, then the Polish people are not prepared to pay.

Given the country's economic problems, headed by the \$30 billion foreign debt and the need to reassure its Western creditors, and institutions such as the IMF and World Bank from which the Poles are seeking new credit facilities, there can be little doubt that the reforms proposed are both right and necessary. Few Poles appear to doubt this.

However, they have no wish actively to support a regime they dislike and distrust, and on whose ability to carry out an effective reform programme they have strong doubts. It is a classic case of disliking the doctor more than the medicine.

The general's attempt at democracy has compromised his already tenuous position. If he wanted to show the international institutions that getting his people to accept high price rises would be no easier for him than for his two predecessors,

then he has shown them what they already knew.

But this in no way eases the pressure on him to carry on with the reform. He must now learn more of the practical realities of democratic politics, and that means selling the package more effectively. For it must be carried out and if he is not up to the task the way will necessarily open for someone else who can.

From an economic policy standpoint a perfectly good case can be made for proceeding with reform at a more measured pace. It is not clear that the Polish economy in its present state could easily have withstood the shock of a doubling of the inflation rate to 50 per cent, next year, nor had the regime persuasively spelled out how it intended to ensure that the standard of living for the average Pole did not fall.

But the progressive introduction of market-related pricing is surely the right way to go, as would be the necessary reduction in state subsidies, which now account for one-third of the national budget. A reduction of party control over enterprises, promised by the reformers, must also go ahead.

The fact that the referendum backed on General Jaruzelski should not be allowed to obscure the positive aspects of the exercise, that it should have been attempted at all is itself remarkable. That it should have produced the "wrong" result, but apparently without frightening the authorities away from reform, is encouraging.

And if the process has taught the general something about the art of playing duets, that it is as well to consult your partner beforehand on the key in which you are to play, then that is all to the good.

The hostage deal

IT WILL be both sad and unnecessary if the release of French hostages in Lebanon leads to a worsening of Anglo-French relations on the eve of the European summit. But the French Government should not be surprised that the deal it has made causes anxiety in London.

The extent of the French concessions, and to how many parties they were made, is not yet fully clear. The most unexpected was the release of Mr Wahid Girdji, the Iranian "interpreter", from his enforced sojourn in the Iranian embassy in Paris. France's insistence that Mr Girdji should be subject to French justice was understood in practice, once Iran however unjustifiably - claimed diplomatic immunity for him, since there were French diplomats in Iran to whom Iran could and did apply the same treatment.

Britain in similar circumstances last June agreed to deport the Iranian vice-consul in Manchester rather than charge him with shiplifting. Sooner or later France was bound to accept

a solution based on reciprocity in order to obtain the release of the French consul in Tehran. To suggest that French faces has been saved by persuading Mr Girdji to undergo a token interrogation, with the plan to take him home already waiting on the tarmac, is hardly convincing. On the contrary, the subservience of French judicial procedure to *raison d'état* has been made embarrassingly obvious.

More worrying, however, is the question of what extra concessions were made to secure the release of the hostages in Lebanon. Whether they were made to Iran, or directly to the groups of French hostages, or both, the effect is much the same. Like the Americans before them, the French have shown the world that rhetoric about not bargaining with terrorists can be disregarded, and that Western hostages are a currency worth holding. That is not a lesson that any Western traveller or resident in the Middle East, or indeed Mr Terry Waite and the other hostages still in Lebanon, can feel grateful for.

Semiconductor plan

PLESSEY's recent acquisition of Ferranti's semiconductor operations goes some way to correcting a serious weakness of Britain's micro-electronics sector: its excessive fragmentation. However, the deal is far from a complete solution to the industry's persistent problems.

In spite of some strengths in niche products, British suppliers have captured less than 2 per cent of the world microchip market. Lacking economies of scale, they face a hard struggle to survive in a capital-intensive industry subject to ferocious price competition.

How can this downward spiral be broken? The industry wants the Government to support further joint research in advanced semiconductor technologies. This would underpin a commercial push in "application-specific" microchips (ASICs) - tailor-made devices which are expected to become a huge growth market.

Proponents of such schemes make much of the assertion that microelectronics is not only vital to a wide range of other industries but is a key factor in their competitiveness. Hence it is claimed, an investment in advanced chip technology drives forward the whole of the rest of the economy.

However, the argument is dubious. Good technology, while a necessary condition of success in world chip markets, is far from a sufficient one. Furthermore, the problems of Britain's industry have less to do with inadequate technical resources than with a failure to commercialise them successfully.

Ferranti was until recently the world's biggest supplier of ASIC chips but did not invest enough to keep its leadership. Immos has a promising innovation in its transporter but has been put up for sale by Thorn EMI, its parent company, which has been steadily reducing its involvement in electronics. OGC has ample financial resources but has so far been cautious about exploiting chip markets outside defence.

The British industry's biggest shortcoming is probably an inadequate commitment to marketing, a discipline which is likely to be critical in the Asia market. As these devices become volume commodity products, success will depend on forging intimate long-term relationships with customers by understanding their businesses in depth, and providing comprehensive service.

These requirements are not unique to the microchip industry, but are becoming common in other electronics sectors, as some UK companies have recognised. In computers, ICL's recent recovery owes much to its realisation that its customers were not interested in buying technology, but in solutions to their particular problems. Equally important, as ICL now accepts, no electronics company can hope to survive long-term without a broad international base.

By guaranteeing highly profitable orders in protected sectors at home, notably defence and telecommunications, successive governments have long deprived the country's electronics manufacturers of incentives to expand internationally and to seek out a wider range of industrial customers. The companies' failure to diversify, in turn, denied them the broad commercial bases needed to support expensive and risky semiconductor ventures.

These past shortcomings will not be put right by pouring more public money into grand research projects or tinkering with the structure of the industry. If Britain is to have a successful semiconductor industry, it will require a sustained commitment.

Any further public support should emphasise measures to help other industries use microelectronics to improve their competitiveness. No UK chip company can hope to survive exclusively on domestic sales but a more dynamic and demanding home market could act as a powerful springboard for international growth.

The EC summit which opens on Friday promises to be an acrimonious affair. Quentin Peel reports

THE STAGE is set for a disastrous European Community summit in Copenhagen at the end of the week. All the objective ingredients are there.

Only two things really stand in the way of a thoroughly acrimonious debate and a prolonged period of stagnation in the life of the Community. One is the fact that everybody can see it coming. The other is the dreary consequence of failure. But the chances of success are still slim.

The EC heads of state and government, 12 ministers, plus President Francois Mitterrand of France - are being presented with a sweeping package of reform measures, designed to set their finances in order for the foreseeable future and finally bring the all-devouring Common Agricultural Policy under strict spending control. In the words of the European Commission, the Community is "on the brink of bankruptcy" and this deal must be done to save it.

So what chance do the summit-tiers have of solving issues which their Agriculture Ministers have given up in deadlock and which their Foreign Ministers have only succeeded in boiling down to rather more than a handful of crucial differences?

The package, first presented last February by Mr Jacques Delors, President of the European Commission, is a seriously complicated and totally inter-linked. There is virtually no way it can be broken up and agreed upon in bits. Every member state is being asked to make concessions in one part, in the expectation of reward in another - with the possible exception of Italy, which may lose out across the board, after years of doing very nicely from EC membership.

It is all about money, which makes the fighting fierce, and about the effective transfer of sovereignty to Brussels along with the cash, which makes it fiercer. It is also about the future of the still-fragile experiment in multi-national power-sharing known as the European Community, which does not really inspire any of the nationalistic-inclined combatants to lay down their cudgels.

On balance, the package of spending cuts, agriculture, budget discipline across the board, a bit more money for social and regional spending, and more contributions all round to the EC budget, is unpalatable for everyone - although not all for the UK, which has been arguing for most of those things for years. It is, in the words of a senior diplomat, "a plate of cold rice pudding, but everyone knows it has to be eaten some time. It will go down."

Progress in negotiations over the past 10 months has been, on the face of it, agonisingly slow - microscopic, to quote Mr Uffe Ellermann-Jensen, the Danish Foreign Minister, who has been in the chair for the last five. But at least the issues in dispute have been clarified.

For a start, the battle is not just about firm spending. That is a British obsession, but in reality, the debate has already been won. Everyone now accepts that firm spending must be brought under control, the argument is only about how it is done. Even the West Germans, who for the past 100 years and more have managed to preserve a gloriously inefficient firm sector on the back of correspondingly efficient industry, admit that restructuring has to come.

Agriculture does however swallow up some 70 per cent of the Community's otherwise extremely modest budget - real firm spending is put at almost



Into battle on EC reforms from left to right, Helmut Kohl, Jacques Chirac, Margaret Thatcher, Francois Mitterrand

An explosive cocktail of national interests

EUROPE this year, and everything else comes to about 1987. The CAP has resisted virtually all previous attempts at financial control. Its reform is therefore accepted as a precondition for embarking on any other serious policies costing money.

If the debate is not really about agriculture, what is it about? Mr Delors calls it "making a success of the Single Act" - referring to the package of reforms of the Treaty of Rome agreed back in 1985. The Single European Act inserted into the treaty the ambition of removing all internal frontiers in the EC by the end of 1992, or in other words, creating the genuine Common Market which has eluded the member states for the past 30 years.

The Single Act also committed the 12 to new policies - a social

policy, a regional policy to help the poorest areas compete in a barrier-free market, a policy of actively promoting joint research, an environment policy and a monetary policy. None had been spelt out before.

Mr Delors, a man who is prone to emotional outbursts in defence of his vision, was in some despair last Sunday night that his ambitions were being undermined. "They refuse to see the philosophy behind it," he said. "They refuse to see the 12 Foreign Ministers meeting in 'conclusive' of being bent on 'a Europe of mediocrity' in their haggling over budget figures."

The other key aspect of the reform package is the attempt it makes to put national contributions to Brussels on a

more solid and equitable basis. The idea is in part to get away from the "British problem" of one member state convinced it is bearing a disproportionate burden - the problem which brought the EC to a standstill from 1979 to 1984.

The introduction of a "fourth resource" (see panel) based on GNP would be tied more closely to real prosperity. Countries like West Germany, the Netherlands and Denmark would pay more. So would Italy, thanks to the fact that its VAT payments have for years been artificially low because of its large black economy. Its latest GNP figures, designed to prove Italy's thesis of "il sorpasso" (that the Italian economy has now overtaken British economy in size), have given the VAT base a boost. There is little sympathy for the

Italian dilemma around the table. The UK is in the opposite situation to Italy: any shift from a VAT-base to a GNP-base reduces the UK net contribution, inflated as it is by the relatively high level of consumer spending in the UK economy and low level of savings. Any gesture made to Italy in reducing the VAT base will leave a bigger UK problem to be dealt with at the end of the day.

Why cannot 12 grown-up countries approve better spending control, a fairer distribution of the cost, and the financing of a laudable (and formally agreed) set of new policies?

The truth is that it is that the southern member states, including newcomers like Spain and Portugal, and the traditional "European" believers - Belgium, the Netherlands and Luxembourg

- who are most persuaded by the vision of new policies to reinforce the Community. They expect to get something out of them. Northerners like the UK, West Germany and France - the three net contributors to the budget - are by no means so convinced. These last three all pay lip-service to the ambition of a genuine single market by 1992, but on key issues they are much more reticent.

West Germany is perhaps most doubtful. The remaining barriers to trade within the EC concern three key areas: services in general and financial services in particular; public procurement and the need to agree on common standards (or recognise each other's) in sensitive areas like health and the environment. Most Germans are determined not to compromise their own high standards. They also fail to see the need to open up their conservative and well-protected financial services industry. As for public procurement, all member states are equal offenders in favouring national suppliers - and in Germany the main public purchasers are the protectionist *Laender* (state governments).

France is torn. The ambition of a frontier-free Europe by 1992 is now part of the French political landscape. Yet it is France which almost certainly has to dismantle more technical and administrative barriers than anyone else. A survey of Danish exporters last year showed that they experienced more difficulty in selling to France than to any other market except Japan.

As for the UK, there is an inbuilt approach to the scrapping of frontiers. It is fine if it means the British insurance industry can sell in Germany. It is much more doubtful an ambition if it means any harmonisation of taxes, any removal of frontier controls on rabbits, drugs or the like, or any threat that one day identity cards may be required to replace frontier controls. Apart from that, British industry seems to be less interested than most.

It adds up to a potentially explosive cocktail of national interests, which at the end of the day will depend more on the chemistry of the summit personalities than the real issues at stake. Given the extent of remaining disagreements between North and South on the structural funds, between UK and West Germany on agriculture, between the UK and the rest on the budget rebate - little more could have been sorted out in advance.

The last remaining hope for a deal is that much will be agreed by default: a whole annexe of farm stabilisers in effect being attached to only a handful of key questions for debate on the major issues of principle.

The danger is that the chemistry will not work. Germany has an uneasy coalition government held hostage by agriculture; France is facing presidential elections in May and political point-scoring may outweigh the desire for a deal; Italy has a weak coalition, unlikely to take difficult decisions.

As for Mrs Thatcher, she has proved already that she won't compromise on detail and she does not appear to recognise that she has already won the game on CAP reform. Even if all else falls into place on spending control, she could still block a deal if the other 11 member states try to cut her budget rebate. The irony is that once again, just like the Brussels summit in June, it could be the UK government which blocks a package which in every other way is designed to suit its requirements.

THE REFORM PACKAGE

THESE are the five key issues on the table at Copenhagen:

● **CAP REFORM:** A comprehensive package of "stabilisers" for each commodity, above which automatic price cuts are triggered. Arable crops - cereals, oilseeds and proteins (like peas and beans) - remain the most disputed area and the one in most chronic surplus.

● **BUDGET DISCIPLINE:** Setting a cash limit for all the other community policies. The Single Act also committed the 12 to new policies, within a

proposed to double them by 1987. The southern states, plus Ireland, are committed to that. The northerners want to give much less.

● **BUDGET CONTRIBUTIONS:** A proposed new system for the EC budget, with a new ceiling - the Commission proposes 1.4 per cent of GNP - and a new "fourth resource" also linked to GNP. The present three sources of revenue come from customs duties, agricultural levies and the national 1.4 per cent value added tax levied on a common basket of

goods and services. They are stagnating. Should farm spending increase at the same rate as gross national product, or more slowly? What should be done about the cost of getting rid of old surplus stocks, what base year spending should be chosen and should there be a reserve for currency fluctuations?

● **STRUCTURAL FUNDS:** How much should the social and regional funds, plus the agricultural fund for retraining and investment, be increased? The European Commission

overall maximum growth rate which has agreed.

● **THE UK REBATE:** What should be done about the special deal fixed at Fontainebleau in 1984, giving the UK back roughly two-thirds of its large net budget contribution? The Commission proposes that in future it be paid entirely on the basis of the UK imbalance on agriculture - the main cause of the net contribution, because Britain receives relatively little CAP spending. But Mrs Thatcher is not prepared to settle for anything that gives her less than Fontainebleau.

Chapman takes Listener chair

There has been a howl or two of anguish from the literary classes at the news that, in future, The Listener will be run as a joint BBC-TV venture and be expected to break even, at least.

The appointment of that editor of Punch, Alan Coren, as editor of the new joint venture apparently confirmed the worst fears that seriousness was at an end and that the destination was down market.

If that is the plan, the broadcasting barons yesterday appointed the wrong man to be chairman of The Listener - Ian Chapman, chairman and chief executive of William Collins, the publishers.

Chapman, a Listener reader since he was a boy and a great admirer, says he won't be there for long if there are any attempts to turn it into a down market, pop magazine.

I am confident that the quality, independence, integrity and seriousness of the journal will be maintained," says Chapman, who is also chairman of Radio Clyde, Glasgow's commercial radio station.

The independence, in particular, of The Listener is something that Chapman feels deeply about; and he ought to be more than a match for the competing interests of Britain's broadcasting bosses.

At Collins he once saw off the predatory ambitions of both Robert Maxwell and Rupert Murdoch, which is probably why Michael MacLeod, the BBC director general, rang to offer him the non-executive job.

He even knows Alan Coren. Apart from publishing some Punch books, Chapman shares Coren's love of cricket.

Seventh suitor

Seven times has Martin Patterson, chief executive and partner of Martin Patterson Associates, the actuaries and pension and benefit consultants, been wooed during the last 12 months.

And they are only the proposals he has received for him and his business in writing. There has been a sizeable number of informal offers as well.

Men and Matters

After all this attention I can announce that a marriage has, at last, been arranged. Patterson has done a deal with Buck Consultants, the oldest US actuarial firm, founded in 1916.

The new company will be called Buck Patterson Consultants, and Martin Patterson, aged 60, will be handicapped firmly to it - albeit with golden handcuffs - for the next five years. He incidentally, now finds himself one of the larger shareholders in Buck.

Patterson left the chief executive's chair at Antony Gibbs Pensions 16 years ago to set up his own pensions consultancy. He has built it up into a business with a fee income of £2.25m a year, employing a staff of 90. Now he is marrying into a company with annual revenues of \$22m and a staff of 1,000.

Both business are owned by their staffs. Patterson sees the liaison as a near-to-perfect marriage - if there is such a thing. He says: "The approach from Buck was not the most attractive financial offer we received (the price paid is a closely-guarded secret) but it is much the best for the future of the company we have developed."

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Party post

A job which had strong claims to be the least sought-after in Canada has been filled - at least on an interim basis.

Malcolm MacLeod, a former provincial agriculture and natural resources minister, has been chosen to succeed Richard Hatfield as Conservative party leader in New Brunswick.

The position is an unenviable one since the party cannot boast a single seat in the provincial legislature having been white-washed in an election in October by Frank McKenna's all-conquering Liberals.

MacLeod, known as "Big Mac",

because of his strapping 6ft 7in frame, describes himself as a management type. It is expected to be at least a year before the party addresses the task of picking a permanent leader.

Tunnel vision

A train set to match any schoolboy's dream was unveiled yesterday - a huge model of the British end of the Channel Tunnel.

The 40ft by 10ft layout is the biggest known model railway in Europe. But it is not for sale and, at a construction price of £150,000, would be beyond the pockets of most Christmas shoppers anyway.

Euro-Tunnel, which is building the Channel Tunnel, commissioned the model of the Folkestone terminal to demonstrate the movement of shuttle and through passenger and freight trains, as well as loading and unloading sequences.

The trains are built to N-gauge, a scale of 1:160 which is smaller than most models, but because of the limited space at Euro-Tunnel's London offices the surrounding countryside was reduced to 1:220 scale.

The computerised layout, which is on public display at Euro-Tunnel's offices in London Wall, is capable of moving 12 trains at a time.

The model will be taken next June to a transport exhibition in Hamburg, where it will be linked with a working model of the much larger French terminal and another of London's Waterloo station, which is being built by British Rail.

The model was commissioned and completed in just eight weeks, by Techpro, of Ashford, Kent. Twenty men worked a total of 6,000 hours to build it.

Martin Hall, Euro-Tunnel's director of corporate affairs, said:

"We cannot say the model is how the real thing will look when it is built, but it is an attempt to show what we are building. The model is based on the state of the art as it is now."

Safe ways

Free tea and Welsh cakes could soon be used in a novel bid to bring down the number of accidents on holiday routes.

The Independent Order of Foresters, a North American based insurance company which prides itself on public spiritedness, wants to set up free roadside cafes in Wales to encourage tired holidaymakers to take a break.

The idea has already been put into practice in the United States and Canada. Polls there have given the scheme the thumbs up. They say the Order's cafes have made long-distance holiday routes safer.

"Five minutes in one of our cafes can save a life," says retired accountant, Graham Trearne, who is pioneering the scheme in Wales. He has yet to find local supermarkets ready to supply free nourishment in exchange for a little publicity. But the free distribution should start in time for next spring's holiday season.

Some well-established roadside cafes, I understand, are none too pleased with the idea.

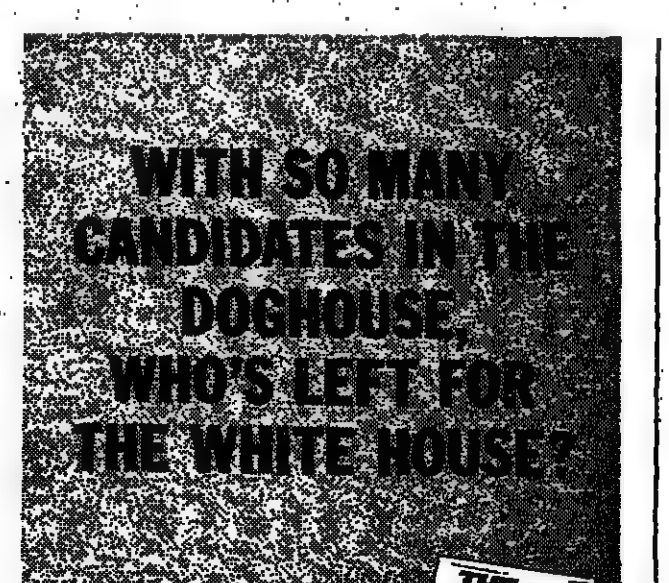
Air time

British Airways executives, facing a possible battle for British Caledonian with Danish-based airline, SAS, were hardly turning on Cloud Nine after turning the page of their in-house calendars yesterday to the month of December. The new page is devoted to the delights of Scandinavia.

Horse sense

From a report of a talk to a Norfolk farmers' club: "He said that what had happened proved what he had always maintained - that in the cattle business, it was foolish to count your chickens before they hatched."

Observer



The race to replace Reagan is wide open. But after Hart and Biden's slip ups, which of the remaining hopefuls is most likely to go the whole way? And what will be the deciding issues?

Get the lowdown on the American election in 'The World in 1988', a magazine designed to leave you wise before the event.

Written by journalists, analysts and consultants from The Economist Group, it predicts the likely course of national and international events in the year ahead.

'The World in 1988' is now available at good newsagents.

We're certain that you'll find it uncannily accurate, and thoroughly entertaining. What else would you expect from the magazine of the year?

The Economist Publications

ITV companies face unprecedented pressure to reform working practices. John Gapper reports

Independent television companies' staff 1986/7

Union	Employees	Gross pay £m	Average pay £
Technicians (ACTT)	6340	149.6	23582
Studio staff (Beta)	3033	51.0	16807
Clerical (Beta)	2018	21.4	10582
Electricians (EETPU)	856	22.1	25775
Journalists (NUJ)	735	16.3	22228

*15 regional franchise holders only

Source: ITV Companies' Association

The last bastion under attack

weekly police serial, The Bill, by getting agreement from the ACTT and Beta studio staff on eliminating meal break and location filming payments.

But piecemeal changes of practice on selected programmes are not going to be enough for companies to cut staffing costs significantly. Several have now confronted their unions with papers setting out the pressures they face and trying widespread changes.

One of these was prepared by Tyne Tees Television in July before the start of its dispute with its staff electricians. The document, entitled Changes Ahead, says that when Tyne Tees' franchise comes up for renewal in 1993, it will have to demonstrate profit growth and cost-effectiveness.

It argues that a reduction in its annual staff costs - which totalled £15.1m in 1986 - is the only way of saving money without reducing programme output and concludes that the company will have to cut staff by natural wastage, increasing flexibility, and eliminating "unjustified working practices."

The source of many of those working practices is a collection of national agreements first drawn up in 1968 between the

ITV Companies Association and its staff unions. The staff now covered are the ACTT technicians, Beta clerical and studio staff, EETPU electricians and NUJ journalists.

These agreements include the "golden hours" clause allowing payments of up to five times the basic rate for night-time work and provisions such as multiplying penalty payments for not observing set meal breaks.

The "white book" - the key ACTT agreement - still has admirers among the companies. Mr Alan Pankhurst, director of personnel at Central Television, says: "A lot of employers would give their right arm to be able to roster their staff 14 hours a day, seven days a week on single-time rates."

It is also widely argued that the worst problem facing some ITV companies is not the national agreements but the local deals on crewing levels and working practices.

The national figures conceal wide variations between the regional franchise holders. The highest pay is found in London, where most of the stories of excess - including that of the TV-am technician who allegedly claimed £92,000 for three weeks

work on the Zeebrugge ferry disaster.

Local deals are also accused of preserving working practices based on outmoded technology. Negotiations over innovations such as lightweight video cameras, which have in recent years almost completely replaced film units requiring more people to operate them, have often been protracted.

Attempts at reform nationally have often been frustrated by the inability of the companies to agree their priorities. In the past, one company has suggested trying to buy out a certain clause of a national agreement in the annual pay round only to find other companies unworried by it.

The upshot is that the Government's drive for change has put pressure on the national agreements. Tyne Tees and London Weekend Television are considering pulling out because they feel constrained by some of the provisions and want to negotiate their changes alone.

A quieter version of the same theme is being pursued by Mr Calvert, who has told the companies to "find your own salvation" through local reform packages. Some of them argue that the process has been peacefully underway for some time.

But most companies accept that change must be made if they are to survive intact. Mr Roy van Gelder, LWT personnel director, estimates that his company will have to cut its staff by 200 by 1990 unless its costs are cut enough to attract independent producers to use its facilities.

It is this sense of urgency that has already led to the Tyne Tees dispute and contributed to that at TV-am. TV-am presented its unions with a paper in September notifying them that the company was going to seek cost saving changes.

One of the most worrying aspects of these disputes for unions is that two companies have demonstrated they are no longer prepared either to wait for change, or accord favourable treatment to those which make the right noises before agreements are actually signed.

Mr Chris Stoddart, Tyne Tees' director of resources, told the Financial Times two weeks ago that he was encouraged by the response of the ACTT to the Changes Ahead document and he believed "substantial progress" would be made over the next six months. Yesterday, the union's members were under threat of the sack if they took industrial action.

Mr Calvert believes that disputes at ITV companies are unlikely to escalate into national conflict, but believes that they will become more widespread as companies realise the implications of Government policy.

Some ITV managers go further and argue that the Government - known to be hostile to joint national pay and conditions bargaining - will not be satisfied until the industrial relations framework of ITV is broken along with the traditional power of the unions.

They believe Mrs Thatcher is unlikely to be content as long as the effective closed shop operated by the ACTT, Beta and the EETPU remains.

Mr Frank McGintigan, head of industrial relations at Channel Four, thinks the future could be uncertain for independents. He says: "I believe a crisis is coming because I cannot see any encouragement from the Government to reform to an acceptable system of collective bargaining."

At the moment, independent producers who receive commission from ITV's Channel Four have a contractual obligation to employ staff on established union terms. There is a separate agreement for film production, but those using videotape must observe the ITV national agreements.

The fear of some is that the Government's ultimate aim is unfettered competition between unionised and non-unionised production companies. Some ITV companies may privately welcome the first stage of the steps on their working practices; none is likely to be happy if what follows is an industrial relations free-for-all.

Beyond the INF Treaty

Opportunity for a real step towards peace

By Lynn Davis

AS THE INF Treaty abolishing intermediate range nuclear forces is about to be signed, the West finds itself bedevilled by doubts about the future of Nato's strategy and the American nuclear guarantee. It is still uncertain whether the Soviets and Americans will be able to resolve their differences over President Ronald Reagan's Strategic Defence Initiative (SDI) and conclude an agreement on strategic offensive forces (Start).

They have agreed in principle to reduce their strategic nuclear arsenals by about 50 per cent. But so as not to repeat the INF experience, this is the moment to consider the strategic implications of a potential Start agreement - not only for Americans but also for Europeans.

As in the case of the INF Treaty, the Soviets have essentially agreed to the goals the Reagan Administration has been pursuing since 1982. Their highly accurate long-range missiles will be reduced by about half. Most of the reductions will be in their particularly threatening land-based intercontinental ballistic missiles (ICBMs). They have even agreed to destroy half of their heavy, more powerful SS-18 missiles.

As a result, the significant Soviet advance in ballistic missiles and their capacity (or throw weight) will disappear. The Soviet force posture will be restructured along the lines of that of the US, with their weapons becoming more evenly distributed on land and sea-based missiles and bombers. The remaining Soviet forces will be more capable of surviving a first strike because they will be mobile and sea-based.

Each of these steps will promote strategic stability. The Americans will have achieved the objectives they set in the late 1960s, when the strategic arms limitation talks (SALT) began. In negotiating the INF Treaty, the West focused almost entirely on reducing the Soviet threat, neglecting the effect that reciprocal limits on US nuclear forces would have on the viability of Nato's strategy of flexible response. It is in danger of making a similar mistake over Start.

This does not seem to be the case. These negotiations involve strategic not tactical nuclear forces. Their primary task is to protect the US by ensuring a credible retaliatory capability.

The reduction in the Soviet threat under the proposed agreement will make it much easier for the US to deploy survivable land-based missiles and bombers. The new mobile Midgetman missile will become more cost-effective. There will be even less need for an anti-ballistic (ABM) defence of ICBMs. The US will be able to retain its diverse triad of land and sea-based missiles and bombers, as well as pursue its plans for a raft of new weapons, including the MX and Midgetman missiles, the B-1 and advanced technology bombers, and the Trident submarines with D-5 missiles.

This is not to say that there are no potential problems. While the precise sub-collapsing on ballistic missiles are still to be negotiated, the number of US subma-

disappeared. Both sides will be able to maintain about 5,000 missile warheads, and the US will have ICBMs to threaten limited nuclear strikes to deter aggression in Europe or Asia. But the proposed agreement will, for the first time, establish Soviet-American equality in the overall number of strategic nuclear warheads. While the SALT II treaty called for equal ceilings on missiles and bombers, the US retained a *de facto* superiority in nuclear warheads.

The superpowers are understandably attracted to equal limits, for political as well as military reasons. But the Americans will no longer be able to argue that their superiority in warheads helps assure the credibility of their nuclear umbrella.

From a strictly military point

	THE MILITARY BALANCE	START agreement	USSR (1987)
	US (1987)		
Total warheads	10,800	6,000	10,500
Ballistic missile warheads	8,900	4,800-5,300*	9,800
ICBM warheads	2,260	3,000-3,600*	6,440
Heavy missile warheads		1,940*	3,080
Strategic nuclear delivery vehicles	1,950	1,600	2,510

*These numbers are still being negotiated. This table is derived from the US, the USSR and START II counting rules for ballistic missiles and the START II counting rules for warheads on heavy bombers.

of view, little will change. The current surplus of warheads is not specifically designated for European defence. And the proposed Start treaty will not affect the existing US practice of assigning 400 of its strategic warheads on Poseidon submarines to Nato's Supreme Commander.

But the question remains: would an agreement establishing strategic equality at levels significantly lower than today create further doubts about the credibility of Nato's strategy?

On balance, the case for the proposed Start treaty seems compelling. In that it would reduce substantially the Soviet nuclear threat, promote stability on both sides and assure a credible American deterrent strategy. Equally important, from the point of view of the cohesion of the Western alliance, is that Nato's military strategy will not be affected in any significant way.

The author is Director of Studies at the International Institute for Strategic Studies, based in London.

Byzantine byways of poll tax

From Mr John Muirbauer.

Sir, Even the most brilliant legal mind cannot defend the indefensible. The attempts of the Minister of State for Local Government to defend the poll tax (FT, November 16) leave my criticisms - and the alternative reform I put forward in the current Lloyd's Bank Review - virtually untouched.

Mr Harvey Cole (November 16) has already made fun of Mr Michael Howard's first chestnut that because rates are paid only by heads of households, local councils are insufficiently accountable to the electorate. Mr Howard apparently believes that the votes of other adults in a household are unaffected by rate demands and the perceived benefits of local authority services.

Mr Cole, your editorial (November 17), and the CBI have demolished Mr Howard's claim that local accountability will be furthered by the proposed reforms. In fact, a much higher percentage of local spending will be centrally controlled.

Mr Howard believes that rates create no incentive to avoid "excessively lavish accommodation". This is odd coming from a member of a government which has made the primacy of financial incentives central to its whole approach to taxation.

He finds property taxes unfair. His argument rests on a lack of correspondence of rateable values or capital values with incomes. In other words, he regards income as a better measure of ability to pay. Since any alternative reform proposal is for a local income tax (albeit with imputed rent treated as part of income) it is immune from this unfair objection.

Mr Howard equates the spending needs of local authorities with the number of adults. This ignores special problems of urban decay, unemployment, or

Letters to the Editor

having a disproportionate number of children requiring education or old people with high health and social service needs.

Central to Mr Howard's case is a general argument of Byzantine complexity which "proves" that any tax based on ability to pay is unfair. It follows that only a flat rate tax is fair. He thus negates a central tenet of centuries of civilized discussion in public finance.

Let me conclude by listing some of the objections to the poll tax that Mr Howard does not address.

It has a high administrative cost and threatens to create a new class of drifters trying to avoid the tax. It worsens the poverty and unemployment traps, because many low income workers will be better off not working in order to receive their poll tax rebate. The lack of any property tax gives entrepreneurs even more of an incentive to put money into private housing rather than into their businesses. If anything, the poll tax creates further disincentives for the supply of private rented accommodation. It will have to bear much of the burden of collecting the tax.

Finally, if my research on the interconnections between housing markets and labour markets is on the right track, the poll tax will have undesirable consequences on labour mobility, on wage pressure and on regional economic imbalances. By damaging the performance of the whole economy, it threatens to make us all worse off than we might have been.

John Muirbauer, Nuffield College, Oxford

Textile industry transformed

From the Director and Secretary of the British Textile Employers' Association.

Sir, I read with interest your summary (November 24) of the International Textile Manufacturers' Federation report on investment in new textile machinery. This is the kind of report that can only be ignored at one's peril, but it would be a pity if the critical picture of the UK textile industry which emerges passed without comment.

However much pre-1975 machinery remains in operation - and for substantial areas of production the replacement of machinery of this vintage will offer no real advantage in terms of efficiency or competitive advantage - the UK cotton and allied textiles industry of 1987 is a very different animal from that of 12 years ago. The recession of 1979-81 was traumatic for textiles, as it was for the rest of British manufacturing industry, and of the companies who survived it can truly be said that they deserved to do so. They had invested heavily during the preceding years and have continued to do so, despite all the pressures of market disruption and distortion to which they have been subjected. Let's face it, no-one in today's textile industry wishes to remain in business in the face of the intense world competition can afford not to invest and modernise.

During the period 1981-1986 (inclusive), the latest period for which total figures are available, capital expenditure in the cotton

and allied textiles industry was some £100 million, a level which would do credit to any sector of British industry, let alone one which is still characterized as in decline by those who are unaware of the transformation which has taken place. The latest CBI Industrial Trends Survey confirms that during 1987 textiles have kept pace with the rest of British industry in their investment in new plant and machinery, and I have every hope that, given reasonably stable trading conditions - this picture will be maintained.

Colin Shone, Reedham House, 27 King Street West, Manchester

Too long to wait at M & S

From Mrs Paul Angus.

Sir, Your article on the problem facing Marks & Spencer (November 19) tried to analyse why this retail giant is slipping from its leading place as women's wear retailer, but failed to mention one of the most obvious.

Even in the newly expanded "flagship" store near Marble Arch, in London, there are still no facilities for trying on garments. It was altogether simpler in the days when one just took the item back to the department where it was purchased, received a returns voucher, and collected the money - or paid the difference when selecting another item from the same department.

Now this procedure often entails long waits in the returns queue. I have overheard people saying that they will never buy anything there again if they cannot try it on.

With all other high street multiples offering cubicles to try on clothes, I believe that M & S has put itself at a distinct disadvantage.

Erna Angus, 44 Bickernell Mansions, Baker Street, W1

PLESSEY HOTLINE PLESSEY H



BEIJING SWITCHES ON ITS TRAFFIC LIGHTS

The streets of China's capital, Beijing, with an estimated six million bicycle users - now have more than thirty major junctions switched on to the new advanced traffic control system from Plessey Controls.

The system employs SCOOT (Split Cycle Offset Optimisation Technique) - developed in Britain and now in use in major cities throughout the United Kingdom.

SCOOT is the most advanced adaptive traffic control technology in the world.

It has been further enhanced by additional research and development during the project period to modify it for China and bicycles.

Plessey has supplied, installed and commissioned hardware and software for the project, as well as advising on

intersection design and traffic engineering principles and providing extensive training for Chinese engineers.

The system comprises Plessey Type 200 intersection controllers, self tuning detectors, telecommand and data transmission and a sophisticated computer system.

EXTENSIVE SUPPORT

Plessey has acknowledged the support received in completing this scheme.

From the Chinese side, it has benefited from unfailing encouragement and help, and from the British side the technical input by the British Department of Transport and the Transport Road Research Laboratory has undoubtedly enhanced the system effectiveness.

TR rings up £10m

Advanced business communications equipment worth £10m has been ordered by Telephone Rentals from Plessey Business Systems of Nottingham.

Plessey will supply a large range of high technology products for Telephone Rentals to sell throughout the UK.

These include Britain's top-selling business system, the ISDX (Integrated Services Digital Exchange), and the ISDT (Integrated Services Digital Telephone) which can

handle voice and data traffic simultaneously.

Deliveries of the equipment will begin immediately and continue until May of next year. Says Barry Hannan, Sales Director of Telephone Rentals: "Plessey has shown it has simply the best range of PBX systems available today."

PLESSEY
The height of high technology

PLESSEY, the Plessey symbol, ISDT and ISDX are trade marks of The Plessey Company Ltd.

Christopher Bobinski in Warsaw reports on the tough choices facing Poland's Government

Jaruzelski bows to warning on price rises

ONCE AGAIN Poland has shown its ability to catch observers unaware. Sunday's national referendum disappointed a regime accustomed to problems, but unfamiliar with a public display of ballot box dissatisfaction.

The Government's failure to win a clear majority for its plans to reform the economy and to make cautious political changes marked the first time in Eastern Europe since the war that an official programme has failed to win approval in a national ballot. As such it marks a loss of face for General Wojciech Jaruzelski, the Communist Party leader.

But at the same time the result widens the General's options. To the evident dismay of supporters of reform inside the establishment and elsewhere, the result provides him with an excuse should he decide to ditch the commitment to change which he first made on the morning of martial law six years ago and repeated at a central committee meeting only last week.

For the moment, however, Mr Jerzy Urban, the government spokesman, has said that the economic reforms aimed at introducing efficiency and seeking to marry market mechanisms with central planning will continue. He argued, cogently enough, that even though the programme failed to get an absolute majority, it won the support of more than two-thirds of those who actually took part in the ballot.

Nevertheless, next Saturday the Government will unveil a modified programme and the changes can be expected to include a toning down of the steep price rises planned for next year.

For it was people's fear of price rises more than anything else which explains the Government's failure to win the support of the 60 per cent of voters entitled to vote (only 67 per cent of eligible voters took part in the poll) it needed to make the result of the ballot incontrovertible. But the referendum did provide Poland's party leadership for the first time with an open warning that its prices policy threatened industrial unrest. Former Polish leaders, Mr Wladyslaw Gomułka and Mr Edward Gierek, were both toppled by strikes, one in 1970 and the other 10 years later, but, unlike Jaruzelski, both were deprived of advance warning signals.

In the end, 44 per cent of the electorate did vote yes on the economic question and 46 came out in favour of "democratisation."



A food queue in Krakow 1981 - the stark memories of price rises then played a part in Sunday's ballot results

"The numbers needed to close the gap were, therefore, not all that great and it is easy to see where the deficiency lay."

For one thing, old age pensioners are the group which traditionally turns out en masse for elections. It was they, though, who were most afraid of an inflation rate which stood to double to about 50 per cent a year if the new prices published by the authorities were implemented. Left alone for the first time for 40 years with a ballot paper in the discreet solitude of the voting booth they crossed out yes and voted no.

Second, the referendum propositions fared worse in the countryside than in the towns, reflecting the inbuilt distrust by farmers of change, which they saw as inevitably worsening their conditions and reducing their power base.

In addition, this was after all the first election since 1947 in which Poles were presented not only with a choice but with the feeling that officialdom would not hold it against them if they voted in a dissenting way.

Again, independent opinion polls conducted in the 1980s have shown that it is the intelligentsia and the younger qualified workers (the natural constituencies of Solidarity, the banned trade union movement) who are most

in favour of economic reform. But these groups also share the official Solidarity view that the referendum failed to provide a credible alternative. They therefore decided to ignore it and comprised a good part of the 38 per cent of the voters who stayed away.

Indeed, it has been Gen Jaruzelski's policy since martial law was imposed in 1981 not only to attempt to achieve the lasting economic growth needed to service the country's \$38bn debt, but also to satisfy the aspirations of ever impatient consumers without making any concessions to this group, whose hopes are symbolised by Mr Lech Walesa.

This has meant that reformers inside the establishment have been left with few external allies in what is coming to look like a losing struggle with the heavy industry lobbies and the conservative bureaucracy which is so intent on maintaining their collective dominance over the economy.

Over the past two years, however, there has been a dangerous drop in public confidence about economic prospects. This fact, well-measured in the rather sophisticated public opinion polls conducted by the authorities, has been compounded by evidence of continuing shortages of industrial inputs and ageing

machinery. Together they brought about an attempt to set the economic reform, badly stalled between 1981-86, back on course again. This was bolstered by external pressure from Western governments and the International Monetary Fund, which have made progress on reforms a condition for providing badly needed fresh credit.

Despite the referendum result, these factors remain real and, given the continuing commitment to change in Mr Gorbachev's Kremlin, the downfall of Mr Boris Yeltsin notwithstanding, it seems unlikely that reform as such in Poland will be taken off the agenda.

Now the issues facing the establishment in the post-referendum debate are whether to seek credibility for the reform by replacing discredited government and party officials and shifting policy preferences from heavy industry to consumer goods output, or to do nothing and prolong stagnation, which risks unrest at some time in the future.

On the price issue, Mr Wladyslaw Baka, the chairman of the national bank, was as early as the summer arguing that big price rises would only spur wage demands and start off an inflationary spiral. Instead the bank has argued that a determined effort should be made to cut the

country's investment programme and boost the flow of goods onto the market.

It also stresses an attempt to dampen wage growth rather than letting rising prices soak up inflationary incomes. The recent World Bank report on the Polish economy also implicitly suggested that rather than go for a quick but painful cure, the economy could be given a little leeway by a greater concentration on exports in the short term.

The new union (OPZZ) set up to replace Solidarity in 1982, have also been arguing against rising prices on grounds similar to the national bank. However, they have been suggesting a system of central wage bargaining out of line with the reform's decentralising intent.

Inside the Communist Party, which now faces what has turned into a crucial central committee meeting within the next few days, the debate is couched in more ideological terms. Some members of the party's top decision making body have been asking whether the reform meant that socialism, with its welfare safeguards, was being abandoned. So far such doubts have been restricted to behind the scenes "consultations" and they barely surfaced at a central committee meeting last week. After the referendum result they will surely resurface with new vigour.

But there is the opposite view, represented by Professor Hieronim Kubiak, a liberal and a poliburo member ditched from the party leadership in the mid-1980s, who warned that the population did not trust the authorities. This lack of confidence has its rational causes and they are connected with the state of the economy and the way power is wielded, he said. He also warned the conservatives that it was not the reform which posed a threat to socialism, but its absence. Failure to reform the system, he added, presented the Solidarity opposition with opportunities.

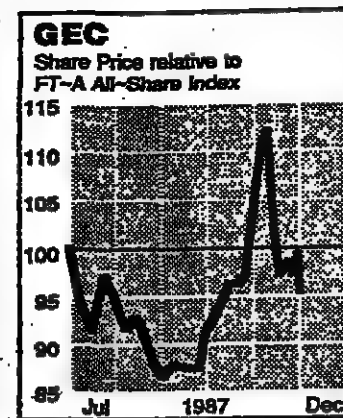
The choices facing Gen Jaruzelski seem clear. His past record, though, suggests that he will seek to compromise between the reformers and the conservatives and maintain his position as a mediator between the two tendencies.

The results of the referendum show, however, that this approach has undermined officialdom's credibility. But the results also give the Government an argument in support of whatever policy it chooses.

THE LEX COLUMN

Mixed signals from GEC

The US Federal Reserve was apparently absent from yesterday's concerted intervention by the world's big central banks, and the dollar's modest rally in Europe did not look sufficient to burn any speculator's fingers. The conclusion must be that the intervention was designed to slow the dollar's decline rather than encourage a major rebound, and it will have been of only temporary help in stabilising the financial markets. If the West Germans do cut their interest rates tomorrow it should ease the pressure on the dollar, but even so it will add to the concerns in the equity markets that Governments are being forced into actions which they may come to regret next year.



complete with the cosy domestic virtues of a Bass or a Whitbread.

Trafalgar House

At first glance, it is hard to put much faith in a company which has contrived to lose \$300m of shareholders' funds on a \$12m acquisition. But with Scott Lithgow in mothballs, further damage from that quarter must be limited; if anything, windfall gains are possible if the company wins its claim for misrepresentation against British Shipbuilders. The Q&E and the Ritz rely heavily on the glitz end of the US market, but overall, exposure to the dollar is relatively low. With an order book up 20 per cent and a strong contribution from the construction division, Trafalgar House should begin to put the embarrassments of the past behind it. Its ungaraged balance sheet - courting a shareholding whose willingness to stump up \$300m in a quasi-rights issue in August came in the nick of time - leaves ample room to strengthen the best-performing divisions (construction and property) by acquisition. One or two recent such deals have given the impression of a management which deserves a bit more trust. But its prospective multiple of under 9 is at enough of a discount to the market to suggest that the sins of the past are far from forgiven.

BP

The BP saga grows more gruesome by the day. Yesterday offered the curious spectacle of market makers bidding 99p for the partly-paid - 1p below the guaranteed floor - by way of dramatising the fact that they are not even prepared to act as the Bank of England's collecting agents. Since the old shares have now slithered down to 94p the value of a straight nominal value of only 30p, leaving the Bank as the only prospective customer.

The Government now risks the ludicrous possibility of ending up with almost the whole of its original stake, the Kuwaiti purchase, after all, does little more than offset the extra shares issued as rights. At this rate, there seems little likelihood of the Bank closing the offer this side of Christmas. It would indeed be surprising if ways were not being examined of extending it beyond the January close. BP, for one, is unlikely to relish the prospect of having gone through the whole glibly business only to end up back in Government hands.

Eurotunnel site hit by pay strike

By Paul Stiles in Paris and Richard Tomkins in London

THE CONSTRUCTION site at the French end of the Channel Tunnel was yesterday hit by a strike called by the pro-Communist CGT union, marking news that the French Eurotunnel issue had been fully subscribed.

Striking workers organised pickets to prevent lorries from entering the French site at Sangatte, near Calais, where work has begun on an open warning that its prices policy threatened industrial unrest. Former Polish leaders, Mr Wladyslaw Gomułka and Mr Edward Gierek, were both toppled by strikes, one in 1970 and the other 10 years later, but, unlike Jaruzelski, both were deprived of advance warning signals.

The union said the workers were seeking salary increases and other benefits. Eurotunnel, the Anglo-French group building the tunnel, declined to comment on the action. The group indicated that about 850 people were working on the French site.

The industrial action marred an announcement from Eurotunnel's French advisers that the company's \$770m (\$1.4bn) share issue had met a comparatively warm response in among private investors in France.

Just over 200,000 private investors applied for nearly 60 per cent of the FF3.54bn (\$68.65) worth of stock on offer in Paris. Another 15 per cent was subscribed by new institutional investors and the remaining 25 per cent was taken up by existing Eurotunnel shareholders who took part in earlier, private placings of stock.

In the UK, about 112,000 private investors applied for 35 per cent of the stock on offer; institutions took another 42 per cent, and the remaining 20 per cent was left with the UK underwriters.

It seems likely that at least some of the French shares taken up by existing French shareholders were in effect being absorbed by underwriters.

Greenspan backs new body to supervise financial markets

BY LIONEL BARNIER IN WASHINGTON

MR ALAN GREENSPAN, chairman of the US Federal Reserve Board, yesterday backed the idea of establishing an umbrella regulatory body to supervise US financial markets as part of his drive for domestic banking reform.

Mr Greenspan said a Financial Services Oversight Commission would bring together the various regulatory interests that cover financial services in the US. He said it could be introduced in the Proxmire-Garn bill, the banking reform legislation which is moving through the Senate Banking Committee.

The Fed chairman's endorsement - given in testimony to the Senate banking committee - signals a compromise with Congress to achieve his prime goal: the speedy repeal of the 1933 Glass-Steagall Act which prohibits commercial banks from engaging in the securities business.

Two Democrats - Senator Tim Wirth of Colorado and Senator Bob Graham of Florida - recently put forward their own bank reform bill, which also included the concept of a Financial Services Oversight Commission and was based on proposals put forward by Mr E. Gerald Corrigan, president of the Federal Reserve Bank of New York.

Mr Greenspan said that he supported the idea, but warned that in its present form it could be too rigid.

The Commission would set rules defining the types of activities in which bank, financial and commercial holding companies might engage and would establish minimum standards of capital adequacy for financial holding companies. It would have nine voting members (all chairmen of the national financial regulatory agencies) and six advisory members.

Mr Greenspan said: "The need

for greater regulatory co-ordination could not have been brought out more clearly than in the recent stock market developments, where we saw the complex interactions of securities, commodities and banking markets."

By backing the Commission idea, Mr Greenspan appears to be building a bridge to Wirth-Graham, while still giving strong support to the bill put forward by Senator William Proxmire of Wisconsin, chairman of the Senate banking committee, and Senator Jake Garn of Utah, ranking Republican member.

But Mr Greenspan has also countered those critics who have argued that abolishing Glass-Steagall would lead to a turf battle between the two major regulatory authorities, the Federal Reserve and the Securities and Exchange Commission (SEC), each of which would claim the right to supervise the new deregulated financial environment.

Gorbachev hints at Afghan pullout

MR MIKHAIL Gorbachev, the Soviet leader, is considering pulling Soviet troops out of Afghanistan earlier than planned, Soviet reports from Moscow.

He told Mr Bob Hawke, the Australian Prime Minister, who had three hours of talks with the Soviet leader, that he had been in contact with Mr Najibullah, the Afghan president, in the last 24 hours.

They had discussed an earlier withdrawal than the 12 months previously proposed. "Mr Gorbachev indicated there had been a discussion and there might be the possibility of an

earlier withdrawal than contemplated," Mr Hawke said. But, he added, the Soviet leader had not elaborated and it was not clear what had prompted the apparent re-think of Afghan policy or what conditions might be attached to a Soviet troop withdrawal.

President Reagan said yesterday that he would demand a date for a pull-out of Soviet troops from Afghanistan at next week's summit. On Monday Mr Najibullah told the national assembly in Kabul that Soviet troops would leave Afghanistan within 12 months,

provided there was an end to outside interference. This was a four month reduction on previous Afghan proposals at indirect UN-sponsored talks with Pakistan in Geneva.

In his American television interview Mr Gorbachev said the Afghan conflict could be settled by political means very quickly if Washington sincerely wanted a resolution. Mr Najibullah said there had been a limited number of people killed and wounded during machinegun clashes which raged in Kabul as he was being elected president.

S. Korean aircraft 'blown up'

A SOUTH KOREAN official claimed yesterday that a Korean Airlines aircraft missing since Sunday had probably been blown up by a time bomb and that a couple who left the flight in Abu Dhabi may have been responsible, Reuters reports from Bangkok.

The couple, who held false Japanese passports, were detained by Bahraini airport authorities as they tried to board a Royal Jordanian flight to Rome. The woman's name in her passport was Mayumi Hachiya, 27, of Okayama in Japan.

The 69-year-old man died after taking suicide capsules during interrogation in Bahrain. His 27-year-old female companion is in a serious condition in hospital. Doctors at the island's Defence Force Hospital where she was taken would give no further details, but medical sources said there were doubts as to whether she had also taken poison. "She may have been faking it," they said.

Mr Lee Seung-Eon, South Korean embassy spokesman, said: "It seems it must have been a time bomb, but we don't have a specific clue."

He said the couple had been sitting in rows seven and eight in the Boeing 707 which was carrying 115 passengers when it disappeared over the Andaman Sea. That search parties have spotted possible traces of a crash.

Joan Wecher King in London adds: Both suspects were on the passenger manifest of the first leg of the Korean Airlines flight from Baghdad to Abu Dhabi on Sunday. They were the only passengers to disembark. They then flew to Bahrain where they obtained 72 hour visitor's permits.

World Weather

Area	Forecast
UK	Cloudy with rain, 10-15°C
France	Cloudy, 10-15°C
Germany	Cloudy, 10-15°C
Italy	Cloudy, 10-15°C
Spain	Cloudy, 10-15°C
Portugal	Cloudy, 10-15°C
Switzerland	Cloudy, 10-15°C
Austria	Cloudy, 10-15°C
Poland	Cloudy, 10-15°C
Czech Republic	Cloudy, 10-15°C
Slovakia	Cloudy, 10-15°C
Hungary	Cloudy, 10-15°C
Romania	Cloudy, 10-15°C
Bulgaria	Cloudy, 10-15°C
Greece	Cloudy, 10-15°C
Turkey	Cloudy, 10-15°C
USSR	Cloudy, 10-15°C
China	Cloudy, 10-15°C
Japan	Cloudy, 10-15°C
USA	Cloudy, 10-15°C
Canada	Cloudy, 10-15°C
Mexico	Cloudy, 10-15°C
South America	Cloudy, 10-15°C
Africa	Cloudy, 10-15°C
Asia	Cloudy, 10-15°C
Australia	Cloudy, 10-15°C

Flying Peanut glides out of politics

Continued from Page 1

ago at the age of 75. At that point, he should have departed the scene and let historians decide how to balance the virtues of the state's rapid development against the flaws of his personalised autocratic rule.

Instead, the success went to his head. He launched a disastrous assault on the bastions of power in Canberra, in the process fighting both the federal leader of his National party and its Liberal coalition partners as well as the hated Labor Government of Mr Bob Hawke.

It was Mr Hawke who outmanoeuvred him. When he called an

early general election, Sir Joh was in California's Disneyland. His ambitions were dashed, and a hopelessly split opposition offering unconvincing policies had little chance.

That was not all. A television expose of officially tolerated prostitution, gambling and corruption in supposedly purlieu Queensland led to the establishment of an inquiry whose problems have pushed senior police officers aside and still threaten to touch the Cabinet itself.

Then there was Sir Joh's last, hopeless battle - conceding in 1987 - to prevent the installation

of condom-vending machines and sex education in schools.

By August it was clear he had lost touch with his party and with most public opinion. His position became so impossible, he was obliged to announce his intention to retire next August.

He hid to sack five ministers last week, stopped all that.

Another he now commences under Mr Mike Ahern, the 45-year-old former Health Minister, who was sworn in yesterday.

He promises more accountable government and higher standards of administration.

The undersigned acted as financial adviser to Société Générale de Belgique and SRIW in this transaction.

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SECTION II - COMPANIES AND MARKETS

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Debt losses hit Royal Bank of Canada

By David Owen in Toronto

ROYAL BANK OF Canada, the largest Canadian chartered bank whose London merchant bank, Orion Royal, recently pulled out of the Eurobond market, yesterday reported a \$255.7m (US\$195m) overall net loss for the year to October 31. The result took account of a \$380m charge related to a sharp rise in Third World loan losses.

Excluding this provision, which was in line with guidelines for Canadian banks laid down in the summer by the superintendant of financial institutions, net income rose 11 per cent to \$541.3m or \$4.03 a share, against \$488.9m or \$3.65 a share in 1986.

In the latest quarter, the bank earned \$141m, or \$1.03 a share, against \$111.4m or 83 cents a share a year earlier.

The figures mask a sharp deterioration in the performance of the bank's international operations, which was blamed on Brazil's moratorium on interest payments, and lower investment banking revenues.

Before the loss provision, international earnings slumped by 48 per cent from 1986 levels to \$267m.

By contrast, earnings from domestic operations rose by 31 per cent from a year ago to \$474m, on the back of strong performance in the retail banking and treasury operations.

Total and October assets of the bank were up 3 per cent from 1986 at \$910.3bn. The strongest areas of asset growth continued to be consumer lending.

Mr Allan Taylor, chairman and chief executive, said the bank continued to perform well in its main business segments.

Plessey in talks on GEC semiconductor business

BY TERRY DOOSWORTH IN LONDON

PLESSEY, the UK electronics group, is negotiating for the semiconductor activities of Britain's General Electric Company only a week after reaching agreement on the takeover of the Ferranti chip manufacturing business.

The two companies have begun negotiations just a few weeks after agreeing on a joint venture in the telecommunications field. Talks are now believed to have reached an advanced stage, although GEC says it has also had discussions with other companies.

A deal between the two groups, which could take the form of a takeover or a joint venture, would secure Plessey's position as the leading UK chip producer. The only other significant semiconductor manufacturer in Britain is Immos, the 10-year-old company owned by

Thorn EMI which had sales last year of roughly \$44m (\$80m).

Plessey, which recently claimed it was not interested in buying Immos, would generate sales of approximately \$130m a year from the combination of its own semiconductor activities and Ferranti's.

Although GEC does not release detailed financial figures, it is estimated that its semiconductor division would add a further \$25m to \$30m turnover to the joint Plessey/Ferranti business.

Plessey has, for some years, made no secret of its ambition to become the dominant force in the UK semiconductor industry, which has long been a pet area of interest for Sir John Clark, the group's controversial chairman.

A takeover would also coincide with recent support in the industry for consolidation in UK manufacturing, where chip production is much more fragmented than in most European countries and exceptionally small by the standards of Japan and the US.

The group has expanded rapidly in the last few years by concentrating on the market for semi-custom chips that mix a basic standard design with some specialised circuits to give customers unique products.

Ferranti also manufactures mainly for the semi-custom market, although some of its technology is somewhat different from Plessey's.

GEC's chip business is even more specialised, aimed mainly at military markets. The company has established a niche in the world market for especially hard and rugged chips made with a silicon-on-sapphire technique that is particularly useful for satellites exposed to exceptional heat.

NBC considers buying Turner cable TV stake

BY ANATOLE KALETSKY IN NEW YORK

NBC, the leading US television network now owned by General Electric, is talking to Turner Broadcasting System (TBS), the highly indebted cable television production business built up by Mr Ted Turner, with a view to taking a major equity stake.

The talks, formally begun on Monday after weeks of speculation about Turner's future in the wake of the world market crash, have yet to reach any substantial conclusions.

In addition to Turner and NBC, the talks have involved Tele-Communications and Time Inc, which lead a consortium of cable operators who took a 37 per cent stake in TBS when the company confronted its last financial crisis earlier this year.

Industry analysts have been speculating that NBC might buy a 20 to 25 per cent share of TBS for about \$400m.

The stake in Turner would

have two attractions for NBC. It would provide a route into the rapidly growing cable TV business - widely seen as posing a long-term threat to the market dominance of the broadcast television networks.

It would also give NBC access to the resources of Turner's highly-regarded Cable News Network at a time when NBC's own news-gathering operations are being scaled back in a cost-cutting campaign begun by General Electric.

TBS will soon require a large cash infusion because of the onerous terms of the \$1.4bn junk bond debt Mr Turner took on to finance a risky expansion strategy, culminating in the acquisition of MGM/UA Entertainment early in 1986.

Mr Turner, one of then US's earliest and most ambitious exponents of junk bond finance,

expanded TBS from virtually nothing to a \$600m company, generating accumulated net losses of more than \$200m.

He must repay or restructure at least 80 per cent of this junk debt by next June to avoid covenants which forbid the company paying dividends.

The deadline is significant because Mr Turner promised a payout to preferred stockholders in exchange for the cash injection earlier this year from cable operators which, in turn, was needed to meet the last deadline.

Mr Turner had hoped to raise enough cash to meet his junk bond and preferred stock covenants by selling assets, the value of which has reduced by the market crash.

But if his company fails to pay a preferred dividend by next June Mr Turner will lose control to the cable consortium.

Singer sets deadline for rescue offers

By Our New York Staff

SINGER, the US aerospace and electronics company which has been battling against a \$1.1bn takeover bid from Mr Paul Bilzerian, the Florida-based corporate raider, yesterday set a deadline of December 21 for other possible bidders to come forward with alternative proposals.

Singer also seemed to indicate the possibility of an amicable deal with Mr Bilzerian, stating that Bilzerian Partners had decided to extend its \$50 a share tender offer until December 21 and that both sides had agreed to suspend all pending litigation until then.

The Singer announcement followed a decision by the company's board two weeks ago to explore various restructuring and divestiture possibilities that would "maximise shareholder value" as alternatives to the Bilzerian offer.

Singer is considered by analysts to be potentially a good fit for numerous defence and electronics businesses, including such cash-rich motor manufacturers as Ford and Chrysler.

In contrast, the company is considered unlikely to identify internal restructuring possibilities that would enable it to maintain its independence, while offering stockholders immediate value of \$50 a share or more.

Mr Bilzerian's bid is also viewed with some scepticism by market operators, who have pointed to the lack of a clear-cut financing commitment from his investment bankers, Shearman Lehman Brothers, and also to a long list of unsuccessful, albeit profitable, bids and corporate raids in the past.

At present, Mr Bilzerian owns just under 10 per cent of Singer.

Dayton Hudson to reduce store chains investment

BY JAMES BUCHAN IN NEW YORK

DAYTON HUDSON, the large US department store group which was saved from a \$6.6bn takeover by last month's stock-market crash, is cutting back sharply on investment in its store chains in order to improve its short-term earnings and secure stockholders' loyalty.

The announcement, which helped push up Dayton Hudson's stock price in early trading yesterday, is a marked change in strategy for the Minneapolis-based group. In the past two years it has outpaced other US retailers, with a \$2bn programme of store openings, including a big push into California for Target, its strongest chain.

Mr Kenneth Macho, chairman, said yesterday in New York that the threat of takeover last summer by the Haft family of Washington DC and the uncertainty over the stock-market crash

made it "prudent to reduce capital investment in 1988."

"We were getting a lot of calls from shareholders demanding greater earnings," he added.

But he joined other retailers in saying that Christmas would not be the shopping disaster forecast just after the stock-market collapse. Christmas would be "less than what retailers were expecting in July but more than what they were fearing in the second half of November."

The group said early returns showed that last Sunday was the best shopping day so far this winter. However, Dayton Hudson said it had been "very conservative" in acquiring inventory for the Christmas season.

In 1988, Dayton Hudson is to spend only \$600m on new stores, distribution centres and general refurbishment. This is much lower than last year's \$800m investment and the \$1.2bn in

Autolatina sees higher losses of up to \$300m

By Ann Charters in Sao Paulo

AUTOLATINA, the Brazil-based holding company which brings together Ford and Volkswagen in Brazil and Argentina, has forecast that losses this year could reach US\$300m, mainly because of government price controls. Losses totalled \$78m in 1986.

Since last month the company has been locked in a legal battle with the Brazilian Government over what it sees as the government's failure to live up to a protocol agreement signed in April. Under the terms of the deal the motor industry agreed to make investments and continue high export levels in return for a predictable formula for raising prices based on costs.

Although Autolatina has a preliminary ruling from the country's Federal Appeals Court to raise prices according to the agreement, final settlement of the case is pending.

Onset starts bid for US computer group

BY OUR FINANCIAL STAFF

ONSET, the US venture capital group, has started its previously announced \$5.75 a share tender offer for all shares of Decision Industries, the computer workstation and peripheral equipment manufacturer.

Onset said the offer - which values Decision Industries at \$82.25m - and withdrawal rights expire on December 29, unless extended. The Decision Industries board has approved the tender and the merger that is to follow. The offer is conditional on Onset receiving at least a majority interest in Decision on a fully-diluted basis and on the receipt of \$60m in senior debt financing from banks or other financial institutions.

A week ago, Decision agreed to be acquired by Onset, after rejecting a \$7 a share tender offer from Econocom Interna-

tional NV. Econocom then raised its offer on Friday to \$6.75 a share to match the Onset bid. The Econocom offer is presently scheduled to expire on December 10.

Onset says it has received commitments from J.H. Whitney, and Welch, Carson, Anderson and Stowe, and affiliates for \$30m in equity and subordinated debt financing. Those two companies formed Onset.

Decision Industries says its board has rejected the Econocom offer.

In reaching its decision, the company said, directors relied on the fact that the merger agreement with Onset was fully negotiated and provides for a subsequent merger in which remaining holders will receive the same price as paid in the tender offer.

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MONEY MARKETS

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Dow Corning Corporation
US\$200,000,000
Revolving Credit Facility

Arranger

Swiss Bank Corporation International Limited

Managers

Australia & New Zealand Banking Group Limited

BBL, Bank Brussels Lambert

Barclays Bank PLC

Crédit Lyonnais

Credito Italiano

The Kyowa Bank, Ltd.

The Mitsui Bank, Limited

BankAmerica Capital Markets

Banque Nationale de Paris

Continental Illinois National Bank & Trust Company of Chicago

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The Dai-ichi Kangyo Bank, Limited

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December, 1987


Swiss Bank Corporation International

INTERNATIONAL COMPANIES & FINANCE

compagnie bancaire

£50,000,000

10 per cent. Notes 1992

Issue Price 101 3/4 per cent.

Kleinwort Benson Limited Banque Paribas Capital Markets Limited

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BNP Capital Markets Limited Crédit Lyonnais

EBC Amro Bank Limited Merrill Lynch Capital Markets

Samuel Montagu & Co. Limited The Nikko Securities Co., (Europe) Ltd.

S.G. Warburg Securities

December 1987

UST

(A new holding company whose principal subsidiary is United States Tobacco Company.)

NINE MONTH RESULTS

	Nine Months Ended September 30		
	1987	1986	Increase
Net Sales	US \$422.4m	\$385.5m	10%
Income Before Tax	\$174.0m	\$147.8m	18%
Net Earnings	\$ 97.3m	\$ 77.9m	25%
Earnings Per Share—Primary	\$ 1.67	\$ 1.38	21%
Dividends Per Share	\$.90	\$.73	22%

Through its subsidiaries, UST is the market leader in moist smokeless tobacco in the U.S. UST also owns and operates the largest premium winery in the Pacific Northwest. Other consumer products include pipe tobacco, cigars, pipes and smokers' accessories.

For more information about UST please contact:

UST
Attention: Investor Relations
100 West Putnam Ave.
Greenwich, CT 06830
(203) 661-1100

Ticker Symbol: UST

Listings: New York Stock Exchange
Pacific Stock Exchange

Company Notices

Gencor Group
Gold Mining Companies

DIVIDEND DECLARATIONS

NOTICE IS HEREBY GIVEN that dividends have been declared by the undermentioned companies, payable to members registered at the close of business on 18 December 1987.

The registers of members of the companies will be closed from 21 December 1987 to 5 January 1988, both days inclusive.

The dividends are declared in the currency of the Republic of South Africa. Payments from the United Kingdom office will be made in Sterling at the rate of exchange ruling on 18 January 1988, or the first day thereafter on which a rate of exchange is available.

Dividend warrants will be posted on 29 January 1988.

In the case of non-resident shareholders, taxation of 15 per cent will be deducted.

The full conditions of payment may be inspected at or obtained from the London office of the companies or the offices of the transfer secretaries.

Dividends on shares included in share warrants to bearer of West Rand Consolidated Mines Limited will be paid in terms of a notice to be published as soon as possible after the currency conversion date.

The companies mentioned are incorporated in the Republic of South Africa	Class of share/stock	Dividend number	Description	Amount per share/stock (unit)	Total for the year (pounds)
Beeston Mines Limited Company No. 770213/006	Ordinary	5	Final	35	68
Buffelfontein Gold Mining Company Limited Company No. 652334/002	Ordinary	61	Interim	225	—
Marikana Consolidated Mines Limited Company No. 650677/008	Ordinary	—	Final	100	100
St. Helena Gold Mines Limited Company No. 652014/005	Ordinary	65	Final	55	145
Stifffontein Gold Mining Company Limited Company No. 652341/006	Ordinary	67	Final	110	160
The Grootevlei Proprietary Mines Limited Company No. 017225/007	Ordinary	98	Final	48	70
West Rand Consolidated Mines Limited Company No. 010187/006	Ordinary	112	Final	20	40

1. Chemries Limited, the company in which Stifffontein and Buffelfontein hold an 80 and 20 per cent share respectively, declared a final dividend of R5.0 million, R16.0 million for the year.

2. Central Registrars Limited, 154 Market Street, Johannesburg 2001 have been appointed as the companies' South African Transfer Secretaries with effect from 1 September 1987.

By order of the boards
per pro. GENCOR (UK) LIMITED
London Secretaries

London Transfer Secretaries:
HR Samuel Registrars Limited
8 Grosvenor Place
London SW1P 1PL

30 By Place
London EC1N 6LA
7 December 1987

Schauman
purchase
boosts
Kymmene

By Ole Vindahl in Helsinki

KYMMENE, Finland's leading forest products company which has a papermaking plant under construction in Scotland, is to acquire Schauman, the country's fifth largest forest products group.

The takeover, an agreed share exchange offer worth about Fm550m (€136m), will create a group with 1987 sales of about Fm9.5bn and profits of Fm550m, before appropriations and tax.

The deal will strengthen Kymmene's position as the third biggest paper and pulp group in northern Europe.

Schauman, in which Kymmene already has a 20 per cent shareholding, is Finland's leading plywood and panel producer and one of the leading pulp makers. Its turnover in 1986 amounted to Fm2.5bn.

There is little overlap between the two companies since Kymmene's product range consists mainly of high-quality papers. Current expansion plans take in a 170,000-tonne plant to produce lightweight coated paper at Irvine in Scotland.

The Scottish plant, due to be completed in the spring of 1989, represents an investment by Kymmene of about £218m (€591m). It will employ some 400 workers when in full production.

As a result of the takeover, Kymmene's paper production capacity will rise to 1.5m tonnes, pulp capacity to 1.2m tonnes and the total plywood and board production capacity to 750,000 tonnes.

Kymmene has held a 20 per cent share of the equity and 32 per cent of the votes in Schauman since December 1985.

A further 20 per cent of Schauman's equity is controlled by Union Bank of Finland (financially strong) and the bank's influence, including Elake-Varmu and Teollisuusvakuutus, insurance companies.

If all Schauman's shareholders accept the offer, it will raise Kymmene's share capital from Fm1.24bn to Fm1.56bn.

According to Mr. Gustaf Eklund, Kymmene chairman, close links between the two companies can be best utilised through integration.

The merger, he said, would also increase efficiency.

Focobank sold for Sfr150m

By Our Financial Staff

FOREIGN COMMERCE Bank (Focobank), a small Swiss bank with assets of Sfr315m (€236m) and a staff of 120, has been acquired by NZI of New Zealand for Sfr150m.

Focobank specialises in global securities trading, foreign exchange, metals, and portfolio management.

NZI provides a range of financial and insurance services. The purchase represents its first acquisition in continental Europe.

The vendor is a family trust which acquired Focobank in 1985 for Sfr125m.

Sara Webb on controversy over a Scandinavian watchdog's proposal
Swedish insurers face tough rules

SWEDEN'S insurance companies may face tighter ownership regulations and tougher competition in future if recommendations submitted by the country's Insurance Committee last week are adopted by the Government.

However, the proposals from the committee, an advisory panel set up by the Government, have already been sharply criticised by Sweden's leading insurance companies.

Standia, the largest insurance company, issued a terse statement in which it pointed out that, at a time when countries within the EC were moving toward the development of financial supermarkets and freer financial services, in Sweden the movement was moving in the opposite direction - toward more regulation.

The committee has proposed restrictions on the ownership of insurance companies, recommending a certain degree of freedom for the companies' investments, and the possibility of introducing tougher competition for insurance business.

There are now no regulations covering the ownership of Swedish insurance companies - whether by Swedish or foreign investors.

This contrasts with ownership of other companies in Sweden. For example, foreigners cannot invest in bank shares at all and must seek permission to invest above a certain limit for other shares.

The Insurance Committee believes it is better if the ownership of an insurance company is

spread as widely as possible. Accordingly, it has proposed that ownership be restricted to 15 per cent of votes and 20 per cent of capital.

Mr Bo Lundgren, a committee member, said this would bring insurance companies more in line with other Swedish companies.

But there are two serious worries. Firstly, insurance companies can invest fairly freely in shares and property. The committee does not like the idea that foreigners could build up a strong position in an insurance company and so indirectly invest in such restricted areas.

The second cause for concern is that unless some form of restriction on ownership is introduced, the insurance world might have a taste of what happened in the banking world.

Last year, bankers and Finance Ministry officials were taken aback by the plans of a group of young financiers to set up a banking and financial services group called Gota with banks, brokerage and leasing companies under the control of a single holding company.

The plan met with strong opposition from the Finance Ministry, where it was felt that a

bank should be a bank, though eventually the Gota group won its way.

Many of the insurance companies, including Trygg-Hansa, Folksam, and Wesa (respectively the second, third and fourth largest insurers), are mutual companies, owned by their policyholders, which do not have to worry about how big a stake some foreign investor may take.

money and that options should only be used for hedging portfolios.

The committee feels that insurance companies should be able to invest more in quoted companies, raising the present limit of a 5 per cent voting stake to 8 per cent.

This is not much of a rise, and the insurance companies had hoped for more generous treatment.

Mr Per Welin, finance director at Trygg-Hansa, said: "The proposal is bad for the insurance companies because it means they cannot build up strong groups of banks and insurance companies under one roof, which has been the trend abroad."

At present, insurance companies are not controlled by legislation concerning how they invest policyholders' money. The Insurance Committee says in its report that it is important for the insurance companies to enjoy flexibility in investment.

However, with Sweden's numerous options scandals - one of them involving the insurance company Folksam - still fresh in their minds, the committee members believe that insurance companies should not be allowed to speculate with policyholders' money.

The Swedish Business Act only allows insurance companies to operate insurance business.

However, the committee would like to see, for example, Lloyd's of London given a concession to do business in Sweden so that Swedish brokers could place business there, in the hope that this would introduce an element of competition in the home market.

Aga ahead at nine months

By Sara Weiss in Stockholm

AGA, THE Swedish industrial gas company, reported a 20 per cent increase in profits (after financial items) to SKr768m (€127.6m) in the first nine months of the year.

The group is holding fast to its earlier forecast of a 15 to 20 per cent rise in full-year profits (after financial items) on last year's figure of SKr647m.

Group sales rose by 12 per cent to SKr7,658bn, against SKr6,852bn in the comparable period last year. Sales have been lifted by acquisitions including those of Rommenhoeller's carbon dioxide operations and Dufour of Lyon, the French industrial gas company.

AGA said its gas operations, which account for 50 per cent of group turnover, developed favourably.

Heavy and continuous rainfall during the summer in Sweden meant that AGA's hydropower operations showed a strong increase in profits. This division

accounts for about 11 per cent of group turnover.

However, the bad weather had a negative effect on Frigoscandia, AGA's commercial freezing division, because it means poor vegetable harvests in Sweden and England, which are the division's two leading suppliers.

Break-downs, a weak market and the falling dollar led to lower profits for AGA's tool-steel operations. About a third of AGA's tool-steel sales are to the US.

Coffee trader to buy Rothfos

By Our Financial Staff

HANNS R. NEUMANN, the West German coffee trader, is to buy a majority stake in Bernhard Rothfos, Europe's biggest coffee importer.

Michael R. Neumann, which owns Hanns R. Neumann, has agreed in principle to the transaction in which Neumann would buy more than 60 per cent of the family-owned Rothfos shares.

Rothfos said the purchase would also involve the international companies in the Rothfos group.

Neumann's entry into Rothfos would supply the basis for business continuity and development, the company said.

The vendor is a family trust which acquired Rothfos in 1985 for Sfr125m.

Ford France plans FFribn investment

By Our Financial Staff

FORD MOTOR France will invest FFribn (€179m) over the next five years in its Bordeaux-Banquequart gearbox and continuous drive transmission plants, Our Financial Staff writes.

The two plants, in the south-west of France, have an annual output capacity of 1m units.

The continuous drive transmissions will be used mainly in Ford's small, front-wheel drive models but units will also be supplied to Fiat from next July.

Top Italian companies to seek Tokyo listings

By John Wiles in Rome

FIVE OR SIX leading Italian companies controlled by the Iri state holding group are to seek quotations on the Tokyo Stock Exchange.

The plan was revealed during a visit to Tokyo over the last few days by Mr Romano Prodi, Iri chairman. He believes the initiative could increase Japanese interest in business in Italy.

Possible candidates for a Tokyo listing are Alitalia, the state airline, Aeritalia, the aerospace manufacturer, Autostar, the motorway owner and operator, and Sef and Sip, the telecommunications and telephone companies.

During his round of meetings in the Japanese capital, Mr Prodi stressed the opportunities Italy offered Japanese investors wishing to take advantage of the removal in 1992 of all trade and other commercial barriers in the European Community.

Mr Prodi told Japanese businessmen that they had focused too much on the US at the expense of European opportunities. He also extolled the virtues of the Italian south as a base for investment which offered more potential than Ireland.

Danish drugs group lifts profits

By Hilary Barnes in Copenhagen

NORDISKE GENTOFTE, the insulin producer, reported an increase in first-half pre-tax profits from DKr21.8m (€3.48m) to DKr51.9m on sales up 25 per cent to DKr478m.

The increase in sales and earnings partly reflected success in achieving a better balance between first and second-half sales, the interim report said.

In previous years sales have been heavily concentrated in the second half.

The company forecast a satisfactory result for the full year in spite of increasing competition.

Northern Feather, which manufactures and markets bedding, increased first-half operating profits from DKr186m to DKr178m. Sales increased by 7 per cent to DKr669m.

Pre-tax earnings for the full year are expected to be in line with last year's DKr62m.

German steel group set to break even

By Our Financial Staff

KLOECKNER-WERKE, the West German steel group, expects to have broken even in net-income terms last year - for the third year running - in spite of "overall bad" conditions in the steel market.

The company, which is trying to diversify from its core business, said sales dropped 7 per cent to preliminary DM5.97bn (€8.65bn) in the year ended September, from DM6.45bn a year earlier.

The group said the better-than-expected fiscal 1987 result was attributable to good business in non-steel operating areas like plastics and machinery. Klockner said it had compensated for a drop in steel earnings in the fiscal first half by lowering costs.

Domestic group sales declined 8.1 per cent to DM3.8bn from DM4.17bn and sales fell 5.8 per cent to DM2.97bn from DM3.16bn.

Group order inflow during the year was up nearly 7 per cent in volume terms from a year earlier.

Klockner said the decline in group sales resulted almost solely from the depressed steel business.

In spite of a 20 per cent decline in the dollar, the group's export-oriented specialty-machinery division posted only a 3.3 per cent drop in sales, to DM2.25bn from DM2.36bn.

The company added that production and volume sales of plastics pointed upwards. Sales increased 5.4 per cent to DM431m from DM408m.

The continuing fall of the dollar in the first month of fiscal 1988 had been countered by increased production outside Germany. Klockner noted a tripling of capacity at Klockner Pentaplast of America, its US plastics unit.

Raw steel production rose 2.6 per cent last year, while rolled steel production increased by 2.3 per cent. At September 30, group order books were 17 per cent higher in volume terms.

SWITZERLAND
FINANCE AND
INVESTMENT

The Financial Times

proposes to publish this

survey on

Monday 14th December 1987

For further information

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FINANCIAL TIMES

EUROPEAN BUSINESS

Investment

Some coins more equal than others

LONDON, 15. October. The multitude of coins available today places many a novice in a quandary. They are offered in all sizes and designs, and at all price levels through ads in the dailies or at banks or coin dealers.

Caveat emptor. Not all that glitters is a coin. Basically, there are five different types.

1. Bullion Investment Coins. Gold bullion investment coins are sold solely for the intrinsic value of the precious metal. They are produced in large numbers by major gold producing countries, such as Canada, Australia and U.S., thus are traded at a small premium over the actual price of the metal. As they are a pure investment vehicle, like gold bars, they have no numismatic value. They are favored over gold bars by investors as a store value, as they are more transportable and easier to trade. The value is easy to keep track of, as their price is based upon the daily fixing of gold.

2. Numismatic Coins. In general, these are coins which are bought by collectors for their beauty, as opposed to the value of their precious metal content. However, a truer definition would include those coins struck prior to 1804. The price has no relation whatsoever to the actual value of the metal. The factors determining the price of a coin are rarity, age, and condition or quality of the striking.

3. Semi-numismatic Coins. These are coins that were struck after 1804, however prior to 1850. The same criteria as those used with numismatic coins are used in determining their value. The buying and selling of one of these coins is, however, easier since they are available in greater quantities than those struck prior to 1804.

4. Current Coins. Current coins are those struck after 1850 and were in circulation during the time of the gold standard. There are still large quantities of these coins available today. The price is related to their gold content plus a fairly high agio.

The collecting of numismatic and semi-numismatic coins can also be considered a form of investing, however usually it is merely a rather expensive hobby. Current coins fall into a category between hobby and investment, since they also maintain a value, even if the price of precious metals should fall.

5. Medallions. These are also collected, but are considered an investment. They are usually made of gold and have a value in addition to their gold content. They are usually sold at a premium over the gold price.

Gold Maple Leaf makes a breakthrough

World's gold coin standard / Grows in popularity / Even attractive for small investor.

OTTAWA, 15. October. Gold, prized as a store of wealth over the ages, has not lost its shine even in the age of high technology and cashless transactions. This has been felt recently by the Royal Canadian Mint. According to a spokesman for the Mint, demand for the Gold Maple Leaf, the Canadian gold bullion coin which is struck in four sizes, has recently been brisk. Observers of the financial world contribute this to various factors. The primary reason is felt to be its universal recognition which ensures ease of trading wherever gold is sold around the world. Of almost equal importance is its unusual purity of .9999 or 24-carat. Most other gold coins rarely exceed .916 or 22-carat, the purity of the South African Kruggerand (which is no longer being produced).

A further aspect is that the Gold Maple Leaf is legal tender in a country known for political stability and for being a dependable trading partner. Since the coin is easily convertible currency, it is sold in most countries free of a value added tax. This is true in Luxembourg, Switzerland and Austria, while a minimal tax is charged in Belgium (1%) and Holland (4%).

Since the Gold Maple Leaf is struck in four sizes, it is able to satisfy the varying investment needs of all investors. It is available in one full troy ounce of pure gold, or in 1/2, 1/4 and 1/10 ounce of pure gold. The coin's attractive design, the benefits of owning gold. The Gold Maple Leaf, which has been available since 1979, is produced only from gold mined in Canada.

This accounts for its unusual yellow color compared to coins mixed with alloys. The use of Canadian gold is a requirement of the charter of the Royal Canadian Mint and it serves to support the Canadian mining industry. Gold was first discovered in Canada in 1858 and has been continually mined ever since. Canada is currently the third largest producer of gold in the world.

This objective is clearly being fulfilled, as indicated by sales results of the Canadian coin. Since its introduction in 1979, over 10 million Gold Maple Leaf coins - that's over 300 tons! - have been sold around the globe. The biggest jump came in 1985, when sales doubled. This was caused by a favorable price of the precious metal and an increasing interest in this bullion investment coin, following the demise of the South African coin.

Why do more and more investors prefer bullion coins to its cousin, the gold bar, or wafer as it is sometimes called? One key reason is their liquidity - a coin enjoys universal recognition and can't be counterfeited. Gold bars may enjoy a solid reputation in their local market, however usually require a costly and time-consuming assay in other parts of the world. Gold bullion coins are accepted by governments, which makes them a safe and secure investment.

respect, the Royal Canadian Mint is especially strict. Although the purity of each Gold Maple Leaf is given as .9999, it is actually closer to .99995. The weight on each coin is strictly controlled, with the weight struck on the coin being a minimum guaranteed by the Government of Canada. Independent tests have even shown that the coins are all above the minimum, showing that the Royal Canadian Mint gives a little gold away to ensure they meet the guarantee. No other coin has yet to show similar results.

It is fair to point out that a gold coin, and a bar for that matter, provides the owner with no interest. However, it can be still considered an investment instrument, but for other reasons. This is because it is a speculative object. But, more significantly, gold has been proven over time to be the surest store of value. Gold bullion coins will not multiply but, as the saying goes, they bring peace of mind. They can anchor a portfolio that is made up primarily of more speculative instruments, as they will gain in value when others are losing theirs. Inflation and economic crisis only eat up other investments, while feeding the value of gold. That's why most experts agree that 10 to 20% of a portfolio must be in gold. An ideal way to keep this golden rule with Gold Maple Leaf bullion. With no guarantee of the future economy, it is comforting to have a store of value and weight and purity and weight are guaranteed by the Royal Canadian Mint.

Investment can also be beautiful

FRANKFURT, 15. October. The Royal Canadian Mint created not only a major bullion investment coin, but also a coin recognized and appreciated around the world for its beauty. Although this is not the main criteria in choosing an investment instrument, many find added value in the quality of the design and striking.

As with all Canadian currency, the front depicts the effigy of Queen Elizabeth II, reflecting the historical relationship with England. The reverse side shows the symbol of Canada, a maple leaf, which has been captured to perfection by the engraver.

Prominently displayed are also the key facts about the coin, such as its origin; value (either \$50 Cdn, \$25 Cdn, \$10 Cdn or \$5 Cdn); weight (either 1, 1/2, 1/4, or 1/10 ounce); purity - .9999; and date of striking. The first coin was struck in 1979.

One Eagle that doesn't fly

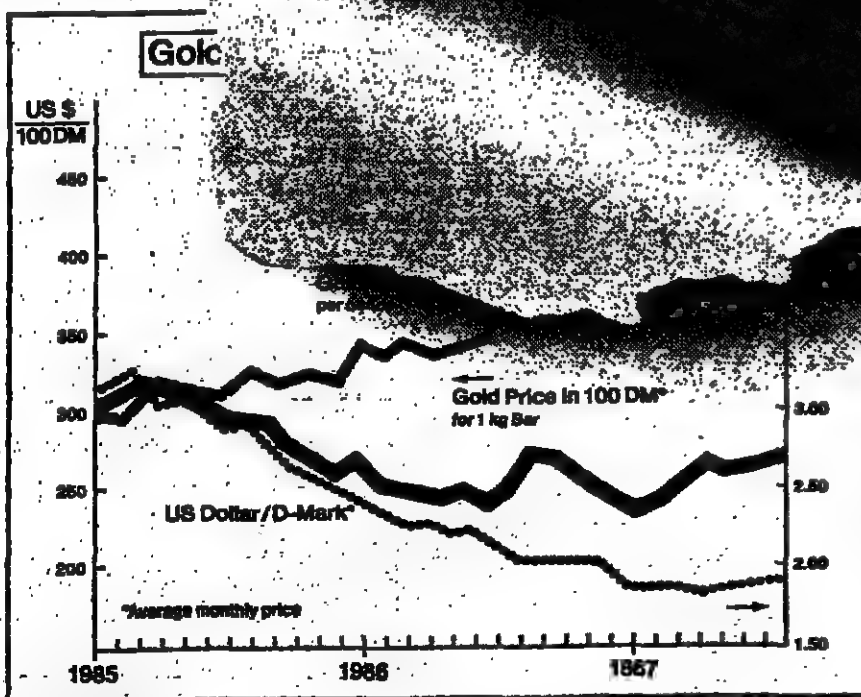
FRANKFURT, 15. October. Anonymous sources in banking circles in Frankfurt, Zurich and London say that the U.S. Eagle is not doing the same level of success in Europe as it has in its home market. European investor continues to prefer more traditional gold products such as small bars or the better known Gold Maple Leaf. They say that less popular coins do not enjoy the same liquidity as the popular coins.

Is it in

NEW YORK. Analysts in the United States are questioning the expert health of the question if this or are more closing, resulting in all their customers point to similarities to the crash of '29, just as they have arguments to point out the difference. This adds to the uncertainty that surrounds for a safe haven before it is too late to failure.

All paper instruments or securities, are subject to the control of financial government bodies. It is out that precious metals, gold, offer the ideal store of value is intrinsic and not that of paper money.

Gold is international to the fortunes of any banking system. It can bring a sense of security, as it is a sure policy as it would come in a b...



Cavelti "Time-proven investment"

Since the price of gold was freed in 1970 to move with market forces, it has risen to new heights, and fallen just as often.

Precious metal and finance experts continually try to analyze the price development. But, the gold metal remains unpredictable. Rising or falling dollar exchange rates, wars, and financial crises are no longer a guarantee for a rise in the price of gold.

The peak in the price of gold was reached at \$850 for one ounce in 1980. Currently, the price ranges between \$400 and \$500. In spite of this, invest-

ment advisors recommend to follow the golden rule - hold ten to fifteen percent of an investment portfolio in gold.

The reason is simple, explains Peter C. Cavelti, President and Chief Executive Officer of Cavelti Capital Management Ltd. in Toronto, Canada, and an internationally recognized expert on precious metals: "Gold is an unbeatable investment vehicle that protects prosperity at all times, even during crisis." Cavelti has banking experience in U.S., Africa and Asia and belongs today to the most sought-after precious metal advisors.

Weight and Purity. Traditionally, the gold trade has dealt in troy ounces - one troy ounce equals 31.1035 grams. Today, however, the metric weight system is also accepted and used, thus gold is available in grams, kilos and tons.

Of particular importance is the purity or fineness of the gold. With small bars, or wafers as they are sometimes called, and the leading bullion coins, such as the Gold Maple Leaf, a purity of .9999 is normal. This means that the given piece contains no more than one ten thousandth of foreign matter. However, it really means that a greater purity is not possible nor really necessary.

Coins - solid and liquid. One differentiates, more or less, between numismatic coins and newly minted coins, or the so-called bullion investment coins. Nu-

merous banks and experts, in every individual portfolio. The question is best way to own gold?

The choice between bullion coins, certificates or a precious metal account depends upon the wants and needs of the individual investor. In addition, such aspects to consider are the availability of gold, the possibilities for resale and also personal taste of the ultimate owner.

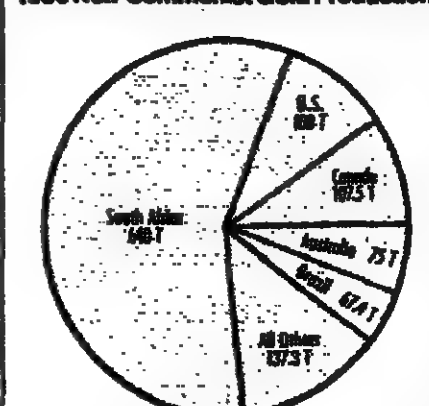
Most bullion coins enjoy international recognition and cannot be counterfeited. They can be exchanged for cash on demand most anywhere in the world where gold is traded. This contrasts to gold bars, which have been known to be counterfeited, thus usually require an assay to determine their purity. This is not only costly for the seller, but also takes time and requires formalities. The price of the leading coins can be found in the financial pages of most major newspapers. Or it can be determined from the daily fixing of gold. Many countries impose a sales tax on gold coins, as well as bars.

Bars - Familiar but not universally recognized. The majority of bars sold today range from 1 gram up to 12.5 kilograms. The small bars are produced at a purity of .9999 fine gold. The trade accepts only bars from a reputable refinery which have a serial number. When there is

a bar, it is usually similar to the price of gold, which is quoted in ounces.

Gold Certificates - Paper as good as gold. The advantage of this form of investment in gold is that no tax is levied on the ownership of gold. The precious metal remains in the possession of a bank, which usually maintains this in a no-tax area. The disadvantage is that there is usually a minimum purchase amount, that varies from bank to bank - for example 10 Gold Maple Leafs or 500 gram bars - which makes this form unattractive for small investors. Another factor is that one doesn't have possession of the gold, which reduces some of the psychological benefit of owning gold.

1986 Non-Communist Gold Production



Source: Comstock Gold Fields

and downs of gold coin

OTTAWA, 15. October. Recent reports indicate that the coin from the Royal Canadian Mint stays down under in sales compared to its competitors. After inflation in markets without gold, the Australian gold coin, the Gold Maple Leaf, recently quickly eclipsed the other gold coins.

Anonymous sources in gold trading circles attribute this to the stronger international position of the Canadian bullion coin, which ensures tradability and liquidity.

Gold production up.

OTTAWA, 15. October. With a yearly production of over 100 tons (107 tons in 1986), Canada is third largest producer of gold in the non-communist world.

The first discovery was made in 1858 at Cariboo, British Columbia. Today, forty-one mines produce the majority of this precious yellow metal. However, prospectors still roam the backwoods, searching for the hidden lode and dreamed-of riches.

The greatest amount of gold is mined in Ontario. Recent discoveries in the region around Hemlo made headlines around the world and boosted share prices. The main reason for the jump was the revised estimate of the gold reserve in this area: before the discovery reserves were felt to be around 130,000 ounces - today they are known to be closer to 17 million fine ounces of pure Canadian gold. Enough to keep the Royal Canadian Mint busy striking Gold Maple coins to meet the needs of investors around the world.

UK COMPANY NEWS

GEC cautious as interim profits disappoint City

BY TERRY DOODSWORTH, INDUSTRIAL EDITOR

PRE-TAX profits at the General Electric Company rose by just over three per cent in the first half of the year after the adverse impact of retrenchment costs in some activities and provisions for cost overruns on major projects.

The figures, which disappointed the stock market, where GEC shares fell by 6p to 157p, showed sales up marginally to \$2.53bn from \$2.51bn in the six months to the end of September.

Taxable profits amounted to \$284m against \$276m, but this figure was struck after charging \$11m to irrevocable costs connected to the loss of the Nimrod early warning aircraft project. GEC added that its results had also been hit by currency factors, with profits \$8m lower than they would have been at last year's foreign exchange rates, and sales \$60m below the level of a year ago.

Earnings per share rose to 6.7p (5.4p). The interim dividend is increased to 1.8p from 1.5p.

In a cautious statement on trading prospects, GEC said that market conditions for some of its products 'might well be difficult'.



Lord Prior, chairman of GEC

and added that it remained on the look out for further acquisition opportunities that would help keep it on a growth track.

In the last half year, it had been retrenching in activities where current and foreseeable demand indicated overcapacity. The divisions affected by these

cuts, as well as by provisions for cost overruns, included industrial controls, electrical projects, mechanical handling, traffic automation, telephone activities, computers, Norsk Marconi and Motors Boudouin.

The automation and control division was particularly hard hit, with pre-tax profits falling to \$15m from \$22m. Medical equipment profits also dropped sharply to \$6m from \$9m, due to both flat trading and decline in the dollar, and income earned on the group's cash dropped back slightly to \$67m from \$69m. This reduction was partly caused by the acquisition programme, which has seen GEC spend \$430m in the last six months. Trading profits from the newly-acquired businesses consolidated during the period amounted to \$6m.

Consumer products, however, put on a particularly strong performance, as profits, helped by the acquisition of Creda, the domestic appliance group, rose to \$24m from \$16m. Electrical equipment division profits also increased strongly to \$26m.

See Lex

Allied Colloids jumps to £17m

BY PHILIP COOCHAN

Allied Colloids, the Bradford-based chemicals group, yesterday announced higher than expected interim pre-tax profits of \$18.9m (\$12.75m) in the half-year ended October 3.

The 33 per cent profits jump was achieved on sales 20 per cent higher at \$79m (\$66.1m) and partly reflected a swing round in the interest position, with \$27,000 of interest receivable against \$371,000 of interest payable last year.

Although the bulk of Allied's profits come from overseas, the company said that the effect of foreign exchange movements on

the profits increase had been negligible. Worldwide demand for its products remains strong and the company does not foresee any weakening in the short term.

Some raw material price increases have already been sustained and more are likely in the second half but the company has limited the effects on profits by passing on increases to customers and by efficiency improvements.

After tax of \$6.42m (\$5.01m), earnings per share were 36 pence higher at 4.16p (3.06p). The interim dividend is being increased to 0.85p (0.5p).

Northern Secs. lifts NAV 47%

The net asset value of Northern Securities Trust showed a 47 per cent increase at 377.4p on September 30 over the corresponding figure of 257p last year. In the six months to end-September income from investments came to \$399,306 (\$330,470),

pre-tax profits jumped from \$116,838 to \$743,892 and earnings per share were lifted from 0.33p to 5.42p after tax of \$160,586 (\$75,765).

An interim dividend of 1p (0.7p) was declared.

comment

The market has been holding its breath waiting for sterling's strength to make a dent on Allied Colloids' growth - after all, overseas sales are 81 per cent of the total. Thus a collective sigh of relief was released yesterday when profits were better than expected, particularly as the figures are traditionally skewed towards the second half, and the shares ended the day 5p higher at 100p. No currency impact was felt in the first half and Allied has covered up till August 1988; after that, the company's life must surely get more difficult. Those medium-term worries will restrict the shares' popularity despite the fact that sales growth is currently strong, the company has successfully managed to pass on raw material costs and has generated enough cash to leave it with an \$11m pile by the end of the reporting period. Assuming pre-tax profits of \$37.5m for the full year, the shares are on a prospective p/e of under 11.

Richard Tomkins on the poor response to Eurotunnel's offer

Blind eye to Tunnel's vision

WHAT WENT wrong with Britain's £770m offer for shares in Eurotunnel, the Anglo-French group building the Channel Tunnel?

Nothing, according to Mr Alastair Morton, the company's UK co-chairman. "I don't regard the response as a setback or a failure. In fact, I am extremely pleased," he said as the figures revealing the extent of the undersubscription in Britain came out on Monday.

But neither Eurotunnel nor its advisers can deny that a modest excess of demand would have been greatly preferable to having 20 per cent of the shares left with the UK underwriters.

Further, there was a very considerable gap between the number of applications actually received in the UK and the level of response forecast by Dewe Rogerson, Eurotunnel's UK marketing consultants.

So what did go wrong? The easy answer is to blame the stock market. Any other company planning an issue of this size would have been regarded as foolhardy to go ahead in the wake of Black Monday. Eurotunnel, however, did not have the choice without the equity offering, it would have been unable to start drawing down its \$5bn worth of loan finance for the project, and the Channel Tunnel would have been abandoned.

In France, the stock market explanation may just suffice, since there had never been any statistics to suggest that the response would be any higher than it turned out to be. There was no share information office compiling registers of people asking for prospectuses, nor marketing consultants publishing research on latest levels of interest among investors.

Where the UK part of the offer is concerned, however, this explanation will not do. Dewe Rogerson's research, indicating that 574,000 UK investors were

One cynical theory is that if institutional investors were going to underwrite the issue, they needed to be reassured it would be successful, and the £574,000 figure unveiled four days before the underwriting was due to be completed. But, this theory goes, Eurotunnel's own research never reached that verdict on November 5 and 6 - long after

the stock market crash. In the end, only 112,000 UK investors applied, so either the prediction was defective in the first place, or something happened to prevent it being realised.

Eurotunnel and its advisers are at pains to emphasise that there have been no recriminations over the outcome. But it is a badly kept secret that in the closing stages of the offer there were at least two rows between Dewe Rogerson and S.G. Warburg, Eurotunnel's lead merchant bank adviser in the UK.

The first was over the sponsor's refusal to confirm an opening date for the offer. Warburg insisted on keeping its options open until the day the offer began in case there was another market crash. Dewe Rogerson considered that the consequent uncertainty over the timing of the issue lost many potential investors.

The second row came after the offer had been launched, when Warburg ruled that no daily tally giving the level of response to the UK offer was to be released. Dewe Rogerson considered this bad tactics for new issues, like to be reassured that they are not alone. It argued, and indications of an accelerating response would have given the issue greater momentum.

The public's response to the offer for sale was never of any great consequence. All that really mattered was that the issue should be underwritten: the day that happened, it became certain that the shares would be sold and therefore that the loan finance for the tunnel's construction would be secured.

One cynical theory is that if institutional investors were going to underwrite the issue, they needed to be reassured it would be successful, and the £574,000 figure unveiled four days before the underwriting was due to be completed. But, this theory goes, Eurotunnel's own research never reached that verdict on November 5 and 6 - long after

wanted that many applicants



Alastair Morton, "Response not a setback"

and therefore throttled back on the marketing. They did not want to be accused of "bumping" an issue which involved an unusually high degree of risk; a strong response would draw in the stage, with consequent damage to the after-market; a vast share register would be expensive to maintain; and a ballot would probably lose the tunnel more friends than it gained.

While there may be an element of truth in this theory, the facts are probably more banal. The success of the UK underwriting was secured not so much by marketing hype as by the efforts of Warburg Securities Mr David Freud (former FT Lex columnist). His persuasive case for the investment merits of Eurotunnel's shares induced sufficient institutions to go above their normal weighting in the stock to make up for the large numbers who were not prepared to touch it at all.

But although Mr Freud was able to convince institutions of Eurotunnel's merits on a one-to-one basis, he could not do that with the public at large. Instead, most private investors reached their verdict on the basis of what they read in the

financial press.

Dewe Rogerson's 'certain to buy' figure was never actually that. It was simply an extrapolation from a small sample of people saying they were certain to buy on November 5 and 6. That was before they had seen the press verdict on the offer; and when they did, they found the general tenor was that Eurotunnel was good for a fling, but not much more.

The trouble then was that relatively high levels of investment were required to secure worthwhile travel perks - for example, \$2,500 for two return trips a year over the life of the tunnel concession. There are not many people who prepared to spend that kind of money on a fling. Many decided to forget it altogether, and those who still came in did so at much lower levels than expected.

Mr Morton's expressed delight at the outcome of the UK offer derives from the fact - revealed for the first time on Monday - that he had never expected more than 100,000 to 150,000 UK investors to apply for Eurotunnel's shares, so the figure of 112,000 was well within the bounds of his private estimate. Only the average level of application was in any way disappointing.

Mr Morton can also point to the fact that Eurotunnel will have more shareholders than most other companies - though in fairness it should also be pointed out that most other companies have not just conducted one of the most expensive stock market flotations ever known.

If there has to be a final judgment of the flotation, it will probably be seen as a minor triumph in the circumstances. The French side seems to have been fully sold, Eurotunnel has its money, and the tunnel itself will in all probability now be built. The share issue flop has been on one-to-one basis, he could not do that with the public at large. Instead, most private investors reached their verdict on the basis of what they read in the

Allied-Lyons surges to £197.5m

By Lisa Wood

Allied-Lyons, drinks and food group, yesterday reported a £197.5m pre-tax profit for the 28 weeks to September 13, 1987, an increase of 33.4 per cent on the same period last year.

The results for the first time include a full half year from Hiram Walker, the 51 per cent Allied-owned Canadian-based spirits business which contributed £57.6m at the pre-tax level before financing charges of £20.7m and the minority interest.

Allied recently announced that it was acquiring the whole of Hiram Walker for \$572m from an offshoot of Olympia & York, the Canadian real estate and resources company.

Allied earnings rose 15.3 per cent from 14.4p to 16.6p per share. An interim dividend of 4.25p per share has been declared, compared with 3.9p last year, an increase of 11.5 per cent.

Sir Derrick Holden-Brown, chairman, said: "The record is a credible one and, despite stock market fears of recession, we face the future with confidence. Our strategy is designed to give us an international spread of businesses plus the brands to trade successfully in all weathers."

Allied's dollar earnings, said Sir Derrick, were less than 15 per cent of pre-tax profits. The beer division, which includes St. James, Carlsberg, XXXX and Leontine, contributed profit of \$37.1m, an increase of 18.3 per cent excluding property disposal. Lager production now stands at about 81 per cent of total production, ahead of the industry average of about 43 per cent.

The wines and spirits division, with brands including Teacher's, Babyboom and Canadian Club, contributed \$92.5m compared with \$34.5m in the same period last year. The results, said Allied, reflected renewed impetus in Hiram Walker and continued success in Allied Vintners, businesses which would be fully integrated when Allied gains full ownership of Hiram Walker.

The food division, with a pre-tax contribution of \$41m, showed a 30.6 per cent increase, with particularly strong contributions from European bakery and biscuits companies, the continental frozen-snack business, dry mixes in the US and motor vehicle distribution in the UK. Poor summer weather had some adverse impact on ice-cream sales, but the product development offset some of this.

Allied's gearing at the half year stood at 57.9 per cent. Sir Derrick said that by the end of the financial year it should be little more than 50 per cent.

See Lex

Baltic in share deal with Aberdeen Fund

BY NIKKI TAIT

Baltic, an asset finance to financial services group, is selling its investment management division to Aberdeen Fund Managers.

Consideration for the deal is

1.125m convertible preference shares in Baltic, which - if fully converted - would give Baltic an 11 per cent interest in Aberdeen. In addition, Aberdeen is repaying \$1.6m of inter-company debts to Baltic.

The Baltic business takes in the management of 11 unit trusts - compared with Aberdeen's four - and a small private clients side, which trades as Fraser Henderson.

Aberdeen's funds under management, however, exceed Baltic's at \$84m. Post the Baltic deal, the combined figure becomes \$120m.

In the 17 months to end-December 1986, Baltic's investment management division made a pre-tax profit of \$285,000. Excluding the inter-company debt, there was a net deficiency of assets of \$200,000 at the end of the period.

COMPANY NEWS IN BRIEF

ST IVES GROUP - chairman said annual meeting that all divisions were performing well. Company had entered current financial year with a strong balance sheet and substantial investment plans aimed at reducing production costs and increasing market share.

BAT INDUSTRIES - Wiggins Teape, group's pulp and paper subsidiary, has sold its drawing office and photographic papers businesses to James River Corporation of the US for an undisclosed sum.

BLACK HORSE - Agencies is acquiring Locke & England, West Midlands estate agent with 10 offices. Black Horse now runs 460 offices in 40 counties; parent company is Lloyd's Bank.

FEZ HOLDINGS has increased its stake in Trafford Park Estates from 12.8 per cent to 13.16 per cent.

CONTINUOUS STATIONERY sold property in Green Dragon Yard, London E, for £1.65m.

TRANSPORT DEVELOPMENT Group is buying Express Parcels (Portsmouth) and Express Parcels

(Dublin) for \$600,000. **BURMIN EXPLORATION** and Development - Oliver Resources has acquired 301,000 shares to raise its holding to 1.65m (17.99 per cent).

RAY & ROBERTSON - pre-tax loss reduced from \$1,177 to \$2,787 for year ended May 31, 1987. Turnover \$251,700 (\$225,988) and loss per share 0.004p (0.15p loss).

PEACOCK PROPERTY has sold freehold interest in Standon House, London SE, to Royal for \$14.4m. The property is currently let to Sedgwick Group on a 25-year lease with five-year reviews.

JS PATHOLOGY is applying to move up from the US to the main market. It is expected that dealings will begin on December 7.

RADIUS is buying Computerised Business Systems and its associated companies for \$1.2m of which \$120,000 will be cash and the balance in shares. In year to end-March 1987, CBSS achieved profits of \$50,000 on turnover of \$22m.

"OUR STRATEGY CONTINUES TO BEAR FRUIT"

Extracts from the interim statement to shareholders by Sir Derrick Holden-Brown, Chairman and Chief Executive of Allied-Lyons.

Pre-Tax Profit		Earnings per Share		Dividends per Share	
1987/8	1986/7	1987/8	1986/7	1987/8	1986/7
£197.5m	£148.0m	16.6p	14.4p	4.35p	3.9p
Up 33.4%		Up 15.3%		Up 11.5%	

"As we forecast when shareholders' approval was sought for its acquisition, Hiram Walker has made an excellent start, fully meeting our expectations. It has made a positive contribution, after financing costs and minorities, to Group results and the partnership with Allied Vintners is already prospering.

The Beer Division, which has progressed from its origins as a brewer to the status of a leading purveyor of hospitality, is also benefiting from the other legs of its strategy: strong brands and lower cost production.

The Food Division has extended its excellent growth record based on strong international brands, higher margin products and successful acquisitions.

We are committed to the development of new products to satisfy changing consumer markets worldwide."

Allied-Lyons

DIVIDENDS ANNOUNCED

Company	Current payment	Date	Corresponding div	Total for year	Total for last year
Allied Colloids - Int	0.65	Feb 28	0.5	1.15	1.15
Allied-Lyons - Int	4.25	Feb 28	3.9	8.15	7.8
Atkins Bros - Int	3	Jan 30	2.3	5.3	5.3
Berry Trust - Int	8.95	Jan 11	1.1	10.05	10.05
Birmingham Mint - Int	2.75p	Jan 13	2.5	5.25	5.25
Calor Group - Int	8.5	Feb 5	1	9.5	9.5
Cape Industries - Int	1.5	Jan 11	1	2.5	2.5
Drummond Group - Int	1	Jan 18	0.8	1.8	1.8
GEC - Int	1.8	Jan 15	1.5	3.3	3.3
Graham Motors - Int	1.25	Jan 15	1	2.25	2.25
Hogg Robinson - Int	8	Feb 3	5	13	13
Illing Wood - Int	1.5	Jan 14	1.25	2.75	2.75
Leeds Group - Int	9	Jan 15	3.53	12.53	12.53
Logitech - Int	0.9	Jan 15	0.8	1.7	1.7
Millward Brown - Int	1.25	Jan 15	1.25	2.5	2.5
Monks & Craney - Int	1.2	Feb 4	1.1	2.3	2.3
Norcross - Int	4	Jan 15	3	7	7
Northern Secs Trst - Int	1	Jan 15	0.7	1.7	1.7
Polly Peck - Int	0.13	April 6	4.38	4.51	4.51
Pratt & Whitney - Int	1	Jan 15	1	2	2
Transocean House - Int	8p	Feb 4	7	14.8	14.8

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. ‡US\$ stock unquoted stock. Third market. *Company will not pay another dividend in respect of 1987.

GRANVILLE SPONSORED SECURITIES

High Low	Company	Price	Change	Yield	P/E
206 233	Am. Bk. Int. Grp.	202	0	8.9	7.4
207 245	Am. Bk. Int. Grp.	207	0	10.0	4.8
41 32	Aradigm and Rhoads	38	0	4.2	33.1
142 60	BBS Design Group (US\$)	60	0	2.1	2.4
188 208	Bentley Group	195	0	1.7	24.5
286 95	Bay Technology	130	-4	4.7	31.12
281 230	CCZ Group Ordinary	248	0	12.8	4.3
147 99	CCZ Group 15% Conv. Pref	135	0	15.7	11.6
171 236	Centronics Delivery	248	0	4.9	12.2
204 91	Centronics 7.5% Pref	204	0	10.7	10.3
180 87	George Blair	143	-1	2.7	2.4
145 80	Int. Gen.	80	0	2.7	2.4
102 59	Jackson Group	90	-4	3.4	2.8
780 320	MetLife Inc (Am\$)	340	0	1.1	13.5
88 35	Revere Holdings (US\$)	45	0	0.1	13.1
110 30	Revere Holdings 10% Pref (US\$)	30	0	14.1	13.1
91 59	Robert Jordan	59	-1	1.2	2.4
124 42	Scrutton	124	0	3.5	4.4
224 141	Turkey & Carline	209	-1	4.6	3.9
71 32	Truist Indus (US\$)	49	-2	4.0	7.4
131 42	United Holdings (US\$)	42	0	2.8	4.7
244 115	Water Alexander (US\$)	165	0	5.9	3.2
202 190	W.S. Yates	202	+2	17.4	8.2
175 96	West. York. Ind. Hosp. (US\$)	120	0	5.5	12.7

Securities designated (US\$) and (US\$) are dealt in subject to the rules and regulations of The Stock Exchange. Other securities listed above are dealt in subject to the rules of FIMSA.

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Member of the Stock Exchange

This advertisement is issued in accordance with the Regulations of The Stock Exchange. It does not constitute an invitation to the public to subscribe for or purchase any securities. Permission has been granted by the Council of The Stock Exchange to deal in \$4,000,000 of new 100% Convertible Redeemable Preference Shares of 2p each. Dealings are expected to commence today.

WILLIAMS SYSTEMS PLC

(Incorporated in England under the Companies Act 1948, No. 1488284)

Invitation and Offer to Shareholders by CHARGE INVESTMENT BANK LIMITED

4,500,000 New 100% Convertible Redeemable Preference Shares of 2p each

Convertible Redeemable Preference Shares of 2p each

Williams has issued 3,000,000 Convertible Preference Shares at £1 per share in connection with the acquisition of Williams International Limited and Varicor Limited and 4,500,000 of such shares were the subject of an invitation and offer to shareholders by Charge Investment Bank Limited, which closed at 3.00 pm on 30th November, 1987.

The Convertible Preference Shares carry the right to receive a fixed cumulative preferential dividend of 5p (net of any imputed tax credit) per annum on the Convertible Preference Shares.

Full details of the acquisitions and the terms of the Convertible Preference Shares are available through the local Stock Exchanges. Copies of the Offer Cards can be obtained from the local Stock Exchanges or from the Company Secretary, Williams Systems PLC, 100 Victoria Road, London SW14 4JG.

Williams Systems PLC, 100 Victoria Road, London SW14 4JG. LONDON SW14 4JG. 2nd December, 1987.

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PROFIT BOOST FROM PROPERTY AND CONSTRUCTION DIVISIONS

Trafalgar House rallies to £163m

BY NICK TAIT

SHARP PROFIT improvements from property and construction activities helped Trafalgar House to an 11.9 per cent pre-tax profit rise in the year to end-September.

In the 12 month period, Trafalgar made £163.2m before tax, compared with £145.5m in the previous year on turnover of £1.44 per cent higher at £2.37bn. At the half-way stage, Trafalgar reported a 25 per cent profit dip to £54.1m.

Trafalgar's earnings per share, however, bore the brunt of several paper issues during the year - in particular, the £306m placing for cash in August which was designed to fund the ultimately abortive Pension Fund Property Unit Trust acquisition.

As a result, earnings per share slipped from 22.5p to 21.5p.

Yesterday Sir Nigel Brookes, chairman, said that the company had not yet seen tangible evidence of any economic downturn in the current year, aside from a modest impact on the shipping, and possibly on hotel bookings in the UK where the

company takes in London's Ritz Hotel. The shipping downturn, he added, had principally affected North Atlantic routes, and the fall-off in hotel bookings could be attributed to American trade. US customers account for about 50 per cent of the Ritz's bookings. World cruise bookings on the QE2 remained satisfactory.

By division, the largest advance came from property and investment, where trading profits rose from £76.4m to £106.9m. Profits from investment dealing, however, were well below the £25m scored in 1986/8, totalling around \$2m - including "several million" from the sale of Trafalgar's 6 per cent stake in Davy Corporation.

However, the commercial property side saw a large jump in turnover while housebuilding, which has in Ideal Homes, also performed strongly with the number of units completed rising to 5,500.

On the construction and engineering side, profits were slightly better and the order book was some 20 per cent up on



Sir Nigel Brookes - no sign of economic downturn

had a net cash balance of £13m plus trade investments worth around \$50m-\$60m, but the proceeds of the placing came too late to prevent the interest charge rising from £17.1m to £31.5m. Capital expenditure which totalled around £170m is expected to fall to around £70m in the current 12 months.

Below the line, Trafalgar again carried a heavy extraordinary charge of \$51.6m (£78.7m) - made up of £25m for the Scott Lithgow run-down, £14.5m for redundancy costs on the shipping side (announced at the half-year), and around £10m for a write-down on some cargo shipping.

Yesterday, the company said that it knew of nothing to substantiate the various bid rumours which have swirled around it in recent months, and had seen no unusual activity in its share register. It refused to comment further on its 5.4 per cent holding in rival construction, civil engineering and mining group, Comair.

By the year end, the company last year - and at John Brown, 50 per cent ahead. Profits rose from £44.2m to £52.9m.

As widely expected, the shipping, aviation and hotels division weakened from £38.5m to £30.1m, hit by the impact of refitting the QE2.

By the year end, the company

Blue Circle ups stake in Birmid to 7.6%

By Mike Smith

BID SPECULATION surrounding Birmid Qualcast, the lawnmowers and boilers company, intensified yesterday after Blue Circle, the cement company, sent its broker Hoare Govett into the market with instructions to buy up to 8m of the company's shares.

Birmid strongly recommended shareholders not to sell but by the end of the day Hoare Govett had acquired 5.5m shares at 300p, taking Blue Circle's stake to 7.6 per cent.

In its first public statement on Birmid, Blue Circle said that it was pleased to have added significantly to its investment in the company, which had several business areas of strategic interest to it.

Blue Circle, which already had 2.6 per cent of Birmid, said it has not yet decided whether to make a bid. "We have not yet made any serious proposals to Birmid but we want to show them we are interested," it said.

Birmid, which rejected merger approaches from Hepworth Ceramic earlier this year, has already made clear its desire to stay independent.

Had Blue Circle acquired 8m shares yesterday it would have controlled about 14.99 per cent of Birmid.

Last night Birmid's shares were 55p up at 301p. Before it disclosed Blue Circle's interest last Thursday the shares were trading at 260p.

Shares in Blue Circle fell 11p to 291p, which means they have lost more than 10 per cent of their value since Thursday's announcement.

Polly Peck up 22% to £86m with success in all sectors

BY CLAY HARRIS

Polly Peck, international agricultural products, consumer electronics and textiles group, increased pre-tax profits by 22 per cent to £86.2m for the year to August 29.

The final dividend is to be raised by 40 per cent, and another one-for-five scrip issue is planned.

The pre-tax advance from £70.4m was achieved on turnover ahead by 39 per cent to £380.8m (£273.7m).

The group's agricultural, food and packaging activities - largely based in Turkey and northern Cyprus - accounted for two-thirds of turnover, increasing sales by 19 per cent to £227m. Pre-tax profits rose by a more modest 12 per cent to £72.6m, but this reduced margins only from 34 to 32 per cent.

The consumer electronics division more than doubled profits to £9.3m on sales 90 per cent ahead at £91m.

The results from Turkish-based Vestel exceeded the company's own expectations and Turkish taxes lifted the group charge for the year to £16.6m or 19.2 per cent from £9.1m or 12.9 per cent in 1986-87. Polly Peck expects the tax charge to fall to 15 or 16 per cent in 1987-88.

After the year-end, Vestel began exports of colour television sets to UK under the Bush name. Sales are running at an

annual rate of 80,000 sets. The group also bought Capetronic, a leading Far East producer of own-brand consumer electronics.

Russell Hobbs Tower, the domestic small appliance maker bought from T1 Group at the beginning of 1987, lost money throughout the financial year although Polly Peck said it was now profitable.

Textiles contributed pre-tax profits of £4.3m (£1.3m) on turnover of £63m (£36m). Pharmaceuticals and cosmetics made a small loss.

Group operating profits advanced by 23.6 per cent to £94.2m (£76.5m).

Net interest payable (excluding that on unsecured loan stock) doubled to £8.13m (£3.06m). This reflected rises both in interest payable at £17.95m (£10.71m) and interest received at £11.83m (£7.65m).

Fully diluted earnings per share rose by 8 per cent to 45.6p (£42.5p adjusted for last year's one-for-five scrip).

The final dividend of 6.125p (£4.75p adjusted) makes a total of 7.875p (£6.25p).

The company said yesterday: "Although there may now be doubts about the future level of world trade in general, components such as Polly Peck which are primarily low-cost producers of essential needs for world mar-

kets should continue to progress."

comment

Superficially, the pre-crash purchase of Capetronic - selling more than 60 per cent of its Taiwan-made consumer electronics to the US - could hardly have been more badly timed. However, the strength of the business itself and the benefits of shifting appropriate production to Turkey more than outweigh the immediate dangers of a falling dollar and fears of US recession and protectionism. The growth of Polly Peck's electronics side, in fact, is providing the perfect balance to the inevitable trimming of margins on agricultural products as the sourcing and distribution network has expanded. Nevertheless, Polly Peck has failed to maintain the relative re-rating it achieved in spectacular fashion during the waning months of the bull market. Despite better than expected results, the shares slipped yesterday to stand on a prospective full diluted p/e of less than 5, assuming pre-tax profits of £103m in the current year. If, as likely, the post-crash fall reflects a "flight to quality" in time of uncertainty, it has been overdone and is based on an outdated view of the company. The shares should claw back some of their lost ground.

Illingworth jumps 25% to £4.3m midway

BY ALICE RAWSTHORN

Illingworth Morris, the wool textiles group, yesterday announced a 25 per cent increase in pre-tax profits to £4.3m for the first half of its financial year on turnover of £11.5m continuing financial rise by 8 per cent to £46.7m.

Mr Alan Lewis, chairman, said that every area of the group had performed well. The business now holds a sizeable cash surplus and is seeking further acquisitions in both the textiles and speciality chemicals fields.

Illingworth, which was founded in the 1920s, is the largest single company within the Yorkshire wool industry. It plunged into problems during the recession of the 1970s. In the following decade these problems were compounded by bouts of boardroom battles.

Four years ago Mr Lewis, a Manchester businessman, took control of the group. After a period of rationalisation and disposal Illingworth was returned to profit.

In the six months to September 30, operating profits rose to £3.8m (£3.1m), other income to

£509,000 (£363,000) and interest receivable to £11,000 (£5,000). Taxation deducted £1.5m (£1.1m). Earnings per share increased to 6.5p (5.5p). The interim dividend is 15p (12.5p).

The manufacturing of garments bearing the brand name of Crombie cloth has now been brought under the aegis of the Illingworth group. The company plans to develop the Japanese market for Crombie and its other wool textiles, by forming a joint venture for distribution in Japan.

Illingworth is now investing in new product development within the speciality chemicals division and in improving finishing at

West of England, the subsidiary which makes cloth for tennis balls and snooker tables.

Mr Lewis said that the second half had begun "very well". Illingworth now hopes to use its surplus cash to buy businesses with strong brand names.

comment

It must be galling indeed for Illingworth Morris to have emerged from so painful a period of restructuring only to watch its share price crumble when the stock market collapsed. Ostensibly there is no reason why the price should have performed so poorly. Given the extent of its recovery and the broad base of

its businesses, Illingworth should have been more sheltered from the crash than many other manufacturing stocks. The problem seems to be one of perception. Illingworth straddles the small companies and the textile sectors: both of which suffered unduly during the crash. Nevertheless the strength of its established businesses, indicated in these interim results, should stand it in good stead in the second half.

The City expects profits of £2.7m and earnings per share of 16p for the full year. This leaves the shares on a prospective p/e only slightly higher than the yield: an equation which speaks for itself.

comment

The impending switch in HRGM's year-end is welcome, to bring it in step with the sector. But yesterday's exceptional items added to the medium-term muddle that an accounting period change will cause in investors' minds. True, expenses at HRGM seem well under control. And retail broking, its reliable but unglamorous mainstay, looks firm for now, with RHR up 26 per cent at £29m (£16m) for the six months. HRGM has also acquired executive directors from rival broker Bain Clarkson who will try to revive the group's weak London market insurance and wholesale business. Assume £13.5m pre-tax for the whole of 1987, and the shares look cheap on a multiple of 7.5. The negatives are that even RHR surely cannot for long escape the impact of the US insurance industry rate-cutting that has scalped other American insurance brokers and agents in the past year. And that would leave UK retail as the only solid earner.

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Hogg Rob. & Gardner slips back to £2.8m

BY NICK BUNKER

Hogg Robinson & Gardner, the insurance broker, saw its pre-tax profits shrink 8 per cent to £2.8m for the six months to September 30.

Earnings per share slipped back 32 per cent to 2.39p. The deterioration occurred in spite of a 39 per cent increase in underlying group broking profits, HRGM said yesterday. It is also changing its year-end from March 31 to December 31 to fall into line with subsidiaries.

HRGM said its direct broking operations were "performing well", especially in the UK and in the US where it owns Republic Hogg Robinson.

It has also now settled claims against it arising from the collapse several years ago of Multi Guarantee, a London insurance intermediary.

Part of the fall-off in pre-tax profits was because HRGM made an exceptional profit of £1.21m at the half-way stage last year. This came from the sale of most of its stake in Market, a US insurance managing general agent.

HRGM has also taken no credit for any half-yearly profits from its 49 per cent stake in Cresvale Securities, an investment company which has incurred dealing losses since September 30.

Group turnover grew by 6.3 per cent to £37m, but investment income fell 3 per cent to £3.4m. Operating expenses were up 4.5 per cent to £37.4m.

After-tax profits fell nearly 8 per cent to £1.55m. HRGM then reported as an extraordinary item the £1.0m costs of demerging this summer from Hogg Robinson, the travel, property and financial services group, and fighting off a hostile bid from TSB, the banking group.

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Prontaprint recovers to £0.3m at interim stage

BY HEATHER FARNBROUGH

PRE-TAX profits at Prontaprint Holdings, USM-quoted franchisee of high speed print shops, recovered from £60,000 to £307,000 for the six months to October 9.

"We are back in our stride," said Mr Edwin Thirlwell, chairman. Prontaprint has returned to concentrating on its core business of printing and copying, following last year's disappointing results.

"There was never anything wrong with the core business," Mr Thirlwell added. "We just had a hole in the bucket."

Turnover increased by 9 per cent from £1.8m to £2.0m while franchise sales in the UK rose by 12.6 per cent to £16.3m in the period. Prontaprint has recruited 28 licensees for existing and additional franchises.

Earnings per share were 2.75p (0.51p). The company is maintaining its interim dividend at 1p having passed its final last time. There is £1.5m cash which is expected to increase. Marketing expenditure is well within budget, Mr Thirlwell said.

Overseas, 34 new shops have been opened, mainly in France, Spain and Denmark and a pilot unit in Hong Kong, the first in the Far East. Since the last year end, the company has agreed to

sell its minority stake in its associate Canadian company, Zippy Print. It expects to realise its original investment.

Prontaprint is continuing to develop its business centre concept. It intends to develop three key areas: printing and copying, which is the mainstay of the business; office support which will include stationery, computer stationery and office supplies; and thirdly, communications.

comment

Encouraging results admittedly, but it will be some time before the market forgives and forgets the previous set which were, in the words of the chairman, disastrous. The right steps have been taken: cutting back on advertising, abandoning unsuccessful diversifications and reasserting stronger managerial control. One director has since resigned and Mr Thirlwell has resumed day to day control. He is confident that there is a world of difference between the proposed moves into office printing and past ones into domestic cleaning services and the confectionery business, but shareholders may need convincing. Prontaprint should report at least £650,000 for the year, but on a prospective p/e of 15 it is dear.

Cityvision rights flop

Cityvision's £4.4m rights issue, launched in mid-October, has flopped with shareholders taking up just 0.29 per cent of the new shares. The issue, how-

ever, was fully underwritten and enables the USM quoted company to buy the 50 per cent of Videocore which it does not already own.

Trafalgar's latest results have made the outlook even better.

The results for the year ended 30th September 1987 show an improvement in operating profit of 19% on a turnover of £2.4 billion, up 14%.

Property and Investment again produced record profits with an outstanding contribution from Ideal Homes.

Construction and Engineering and Oil and Gas Divisions also reported increases in operating profits.

Shipping, Aviation and Hotels made a reduced contribution due to the QE2 being out of service during the first half of the financial year and lower profits from Cargo Shipping.

Shareholders' funds at September 1987 totalled £758 million compared with £441 million in September 1986.

After taking into account cash balances totalling £442 million, there were no net borrowings at the year end.

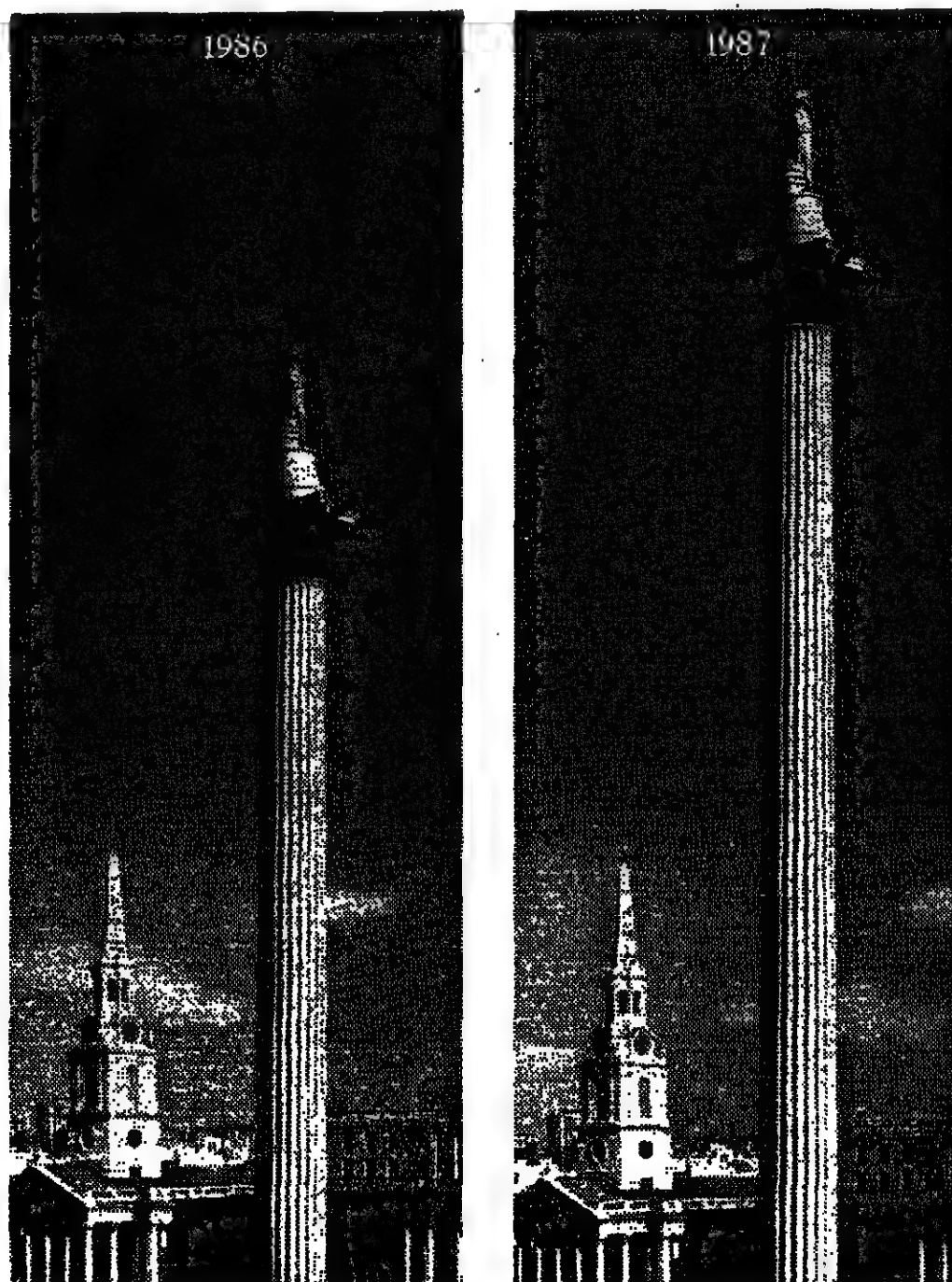
The final ordinary dividend of 8.0p (1986 7.0p) per share brings the total for the year to 14.5p, an increase of 10%. Shareholders will again be given the opportunity to take new Ordinary shares in lieu of the cash dividend.

1987 RESULTS		
	£m	Change v 1986
Property and Investment	185.8	+38%
Construction and Engineering	52.9	+20%
Shipping, Aviation and Hotels	30.1	-22%
Oil and Gas	5.6	+47%
Operating Profit	194.5	+19%
Profit before Tax	163.2	+12%
Profit after Tax	127.3	+11%
Ordinary Dividend	14.5p	+10%

With a strong balance sheet, a record order book and dedicated management, Trafalgar House is confident of further growth in its business in 1988 despite recent Stock Market uncertainty.

The 1987 Report and Accounts will be posted to shareholders on 10th December 1987. Copies may be obtained from the Secretary, 1 Berkeley St, London, W1A 1BY.

TRAFALGAR HOUSE
PUBLIC LIMITED COMPANY



HOW WE'RE LOOKING AFTER THE LIFEBLOOD OF OUR BUSINESS

BEACHMAN

THE RIGHT PLACE FOR YOUR SIGN

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APPOINTMENTS

Oil recovery stems Calor's drop

BY LUCY KELLAWAY

Calor Gas yesterday blamed a mild spring and autumn for a fall in interim profits to \$17.5m, compared to \$18.5m in the six months ended September 30 1986.

The result masks a strong recovery in profits from the group's oil subsidiary, Century Power and Light. Boosted by the recovery in the oil price it increased its contribution more than ten fold to \$7m (\$0.8m).

As most of the profit was made during the winter, first half results were of limited use in gauging progress for the year as a whole, said Sir Dermot de Trafford, chairman.

Unless the winter was exceptionally mild, however, he expected an increase in both profits

and earnings.

Despite lower volumes, which depressed LPG profits to \$10.5m from \$16.5m, the company said underlying trends were encouraging. Margins were being maintained, and market share gained both in "piped in" gas systems, and sales of appliances. Sales were also rising in commercial and industrial sectors.

In its oil division, Calor said it was looking at ways of benefiting from its stake in Century.

Attributable profit fell to \$9.2m from \$15.5m. The reduction was caused by a larger share for the minority holder, and a higher tax charge.

The company announced a first dividend since it was split up from its parent, Imperial Con-

tinental Gas, of 5.5p.

comment

If Calor's shareholders are still smoldering over the board's rejection of Burmah's cash bid just two weeks before Black Monday, these results should act as a balm. Last year's repeated assertions from the company that the LPG business was not ex-growth, and that margins would not come thumping down again with any rise in the oil price, are being borne out. Indeed, other downstream oil companies which are suffering from higher crude prices must envy Calor its post-oil shock profitability, ensured by the glut of LPG on the market and the

flexibility gained by its new storage facilities at Killingholme. Both factors should limit any damage from the recent rise in prices caused by the closure of the Sullom Voe terminal. Assuming earnings this year of about \$50m, Calor is on a small premium to the market, justified by its unusual combination of defensive merit and speculative sparkle. The company benefits from a low dollar, and almost all its sales are to UK consumers whose need for warmth is little affected by the health or otherwise of the stock market. As SHV has already demonstrated to the world that it is not happy with its 29.9 per cent stake, Calor's future ownership is still far from settled.

All-round growth lifts Leeds to £3.6m

Leeds Group, textiles, leasing and motor insurance, maintained its progress during the second six months of 1986/87 and pre-tax profits for the full year to end September emerge 48 per cent up, from \$1.57m to \$2.35m following the 44 per cent improvement made at the half way stage.

After tax of \$1.27m (\$902,000) earnings per share are up from an adjusted 16.4p to 24.5p. As forecast the final dividend is held at 4p on the capital as increased by the one-for-five scrip issue to make a total of 8.25p compared with the equivalent of 5.2p.

Group turnover last year rose from \$14.16m to \$22.18m. Each of the four textiles companies achieved record sales and profits, and have laid plans for further growth in the coming year, said the directors.

Monks & Crane rises past £1m

Monks & Crane, USM-grouped distributor of industrial consumables, engineers' tools, safety equipment and protective clothing, took its taxable profits past the £1m mark in the six months to September 30 and said that with its industrial tools and fittings divisions buoyant it looked for an excellent year-end result.

It lifted profits from \$812,000 to \$1.01m on turnover up from \$13.74m to \$17.19m. The directors lifted the interim dividend from 1.1p to 1.5p to be paid from earnings per 10p share of 4.8p (4.5p).

Mr Albert Spacie, chairman, said since the February acquisition of Sargent's Tools Stores the industrial content of their sales had shown significant growth.

BAA corporate strategy post

Mr Peter Gant joins BAA on January 1 as head of corporate strategy. He is currently group controller of corporate planning and development for the Beecham Group. Mr Michael Brooker, until recently the managing director of Caledonian Hotel Holdings, has joined BAA and is responsible for hotel development. British Airways Services, a subsidiary of BAA, has appointed Mr Roger Kitley as international director from December 7. He is director of operations for Fluor Daniel.

CAMPBELL'S UK has made the following appointments: Mr Derrick H. Cockman, finance director, Mr John S. Jeaky, deputy managing director, UK and frozen foods Europe, Mr David A. Page, operations and human resources director, and Mr Michael Tretoway, sales and marketing director.

HOWDEN GROUP has appointed Mr E.W.M. Johnson as chairman. He has been chief executive of Howden Group South Africa and Howden Airdynamics Group. He was appointed group managing director on May 1 and will continue to hold that post. Mr J.D.H. Hume ceases to be chairman of the company, but remains a non-executive director.

The YORK TRUST GROUP has appointed three directors: Mr Brian Goldstein, Mr Donald Pell and Mr Keith Mellors. Mr Goldstein and Mr Pell will be joining the board of Richards, Longstaff, who was marketing director of Prudential Holborn, will be joining Richards, Longstaff as chief executive. Mr Pell was previously on the board of Allied Dunbar. Mr Mellors leaves Richards, Longstaff to become finance director of York Trust Group.

Mr Joseph Pilla has been appointed finance director of NAD ELECTRONICS, a subsidiary of NAD Electronics Inc, US.

FENCHURCH INSURANCE BROKERS has appointed Mr Alan Claverhouse managing director of Fenchurch Life and Pensions Consultants. He will also be appointed to the post of Fenchurch Insurance Brokers.

BRITISH SATELLITE BRADCASTING has appointed Mr Graham Grist as managing director (operations and finance). Mr Grist joined BSB in March 1987 as finance and commercial director.

Mr John Davies, currently head of group marketing at Abbey Life Group, becomes personal assistant marketing director of BARCLAYS BANK early in the New Year. He will be responsible for the bank's marketing activities to its seven million personal customers, and all the UK bank's advertising.

Mr C.F. Calver, managing director of Brian Morton and Co., has been appointed to the main board of HALIFAX ESTATE AGENCIES, holding company of Halifax Building Society. The Halifax took over Brian Morton last February.

Mr Alec Buchanan-Smith, former Energy Minister, has been appointed to the board of DAVY OFFSHORE as a non-executive director.

Mr Martin Lashby has been appointed to the main board of ZMAP. He will continue as chief executive of the newspaper division.

COXMOORE has appointed Mr Richard G.I. Bales as group managing director. He was managing director of Wilkinson

Mr Colin T. Preston has joined BRADSTOCK BLUNT (SCOTLAND) as a director. Mr Timothy P. Culverhouse and Mr Stephen W. Calveroff have been appointed directors of Bradstock Blunt (Northern). Mr Nicholas I. O'Farrell will be appointed an associate director when the company opens its new branch office in Cambridge early in January.

Mr Jim March has been appointed group financial controller of HUCKLEY & BLAND, Stockport. He also has responsibility for the financial function of Donald Kendall & Sons and Lee, Nightingale & Kendall, both of Liverpool. Mr March was formerly with Parnell Kerr Forster and the Rockley Group in Barrocks.

Mr A. Sinclair has resigned as finance director of WYKO GROUP, but will remain a consultant. Mr J. Ashman has assumed the responsibilities of financial director in addition to his present duties as company secretary.

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Sword. Mr Michael P. Kenton, previously chairman and managing director, remains executive chairman of the group. Mr G.E. Symonds has resigned.

Mr Michael Sandberg has become a director of EUROMO-NEY PUBLICATIONS. He recently retired as chairman of the Hongkong and Shanghai Banking Corporation.

Mr John Newgas has been appointed design and colour director, and Mr Charles Newgas becomes marketing director of ALBION MANUFACTURING COMPANY, Britain's largest maker of tasses.

At UNISYS, Livingston, Mr David Ryan, formerly director of development, becomes vice-president and general manager for distributed document processing products. He is succeeded by Mr Patrick Phillips, who was on group development staff in Detroit.

RYAN INTERNATIONAL, Cardiff, has appointed Mr Frank Jackson to the new post of group general manager. He will continue as company secretary.

Mr Steve Mearns has been appointed finance director of MARCONI RADAR SYSTEMS. He was financial director of Marconi International Marine. Mr John Winstanley becomes director, aerospace business, with particular responsibility for the aerospace control division. He was a director of Cambridge Instruments.



Mr George Dennis, managing director, TSB Investment Management.

Mr George J.J. Dennis, who was director, securities investment, at POSTEL, has left to become managing director of TSB INVESTMENT MANAGEMENT. Mr Andrew Threadgold, Postel's chief executive, will combine his role with that of director of securities investment. He will be assisted by two deputy directors, Mr Christopher Dreyfus for overseas equities, and Mr John Stubbs, for UK equities. Postel is the investment arm of the superannuation schemes of the Post Office and British Telecom.

Mr Graeme Christie has been appointed managing director of RUSSELL HOBBS TOWER. He joins from IDV where he was new product development and research marketing manager. Mr David Ramsey joins the board as supplies director from Mars Electronics where he was head of purchasing.

Mr Douglas Ferrans has been appointed investment director at SCOTIUS INVESTABLE INVESTMENT MANAGERS.

Atkins Bros. advances 25%

Atkins Brothers (Hosiery), maker and distributor of hosiery and knitwear and electronically-controlled display systems, lifted pre-tax profits by 25 per cent on turnover down by almost £1m in the six months to September 30.

Profits moved up from \$458,000 to \$575,000, benefiting from the absence of last time's \$97,000 exceptional debit and a cut in interest payable from \$111,000 to \$46,000. Turnover dropped from \$10.24m to \$9.25m.

The directors declared an interim dividend of 3p - up from 2.2p - to be paid from higher

earnings per share of 9.8p (7.51p). Tax took \$202,000 (\$150,000).

The chairman said that textile profits overall were down on last year, reflecting in part a difficult period in the leisurewear division while reorganisation was taking place following the withdrawal from Cut & Sewn Knitwear at the end of March. The dyehouse also had a difficult period.

The cut in turnover reflected the loss of \$1.9m sales of the knitwear division and the withdrawal from Cut & Sewn. However, turnover in the continuing

textile operations was up 12 per cent. The electronics companies, Cartner and Textile (UK), both boosted turnover by 24 per cent.

Atkins sold its Textile Advertising and its minority interest in Orbital Data Systems and the disposals were reflected in the \$10,000 extraordinary credits.

The chairman said that there was a good order book both in textiles and electronics operations. Atkins had decided to sell Textile (UK) to enable it to concentrate on developing Cartner Engineering and take advantage of its current good order book.

(£229,000) earnings per share rose from 5.5p to 8.7p on a basic basis and from 3.9p to 7.5p on a fully diluted basis. The interim dividend is being stepped up by 0.5p to 1.5p.

Profit contributions from building products rose to \$4.67m

After tax of \$425,000

Substantial rise by Logitek in first half

Substantial progress has been achieved by Logitek, distributor of micro computers and peripherals, in the half year to September 30 with pre-tax profits rising \$398,000 to \$522,000 on turnover which was up from \$5.36m to \$9.26m.

Operating profit for the period was \$276,000 (\$495,000), net interest receivable amounted to \$16,000 (\$2,000 payable) and tax to \$312,000 (\$176,000). Earnings per share were 5p against 3.53p and there is an interim dividend of 0.5p (nil) per 5p share.

The directors said that they believed the company was well positioned to take advantage of the markets for its products and services which were all forecast to grow substantially. It was taking steps to achieve a better balance between its distribution and corporate sales channels to increase the relative revenue contribution from the technical services division.

Yearlings at 9½

The interest rate for this week's issue of local authority bonds is 9½ per cent, down ½ of a percentage point from last week, and compared with 11½ per cent a year ago. The bonds are issued at par and redeemable on December 7 1988.

A full list of issues will be published in tomorrow's edition.

Graham Motor lifts profits to over £1m

Graham Motor Group, which came to the US in July, lifted its interim pre-tax profits from \$382,000 to \$1.1m, and is paying an interim dividend of 1.25p.

The group is involved with car retailing, fleet sales and contract hire. Turnover for the six months ended September 30 1987 amounted to nearly \$33m (\$26.54m).

The directors reiterated their confidence that there was considerable potential for the group to build upon its position as a major motor vehicle distributor in the north west.

Earnings for the half year came to 7.46p (6.59p).

Cape Industries doubles profits to £4.7m midway

Cape Industries, maker of buildings products and provider of industrial services, doubled taxable profits to \$4.68m over the half year to end-September on turnover up \$10m at \$74.16m.

After tax of \$425,000

Country and New Town in loss

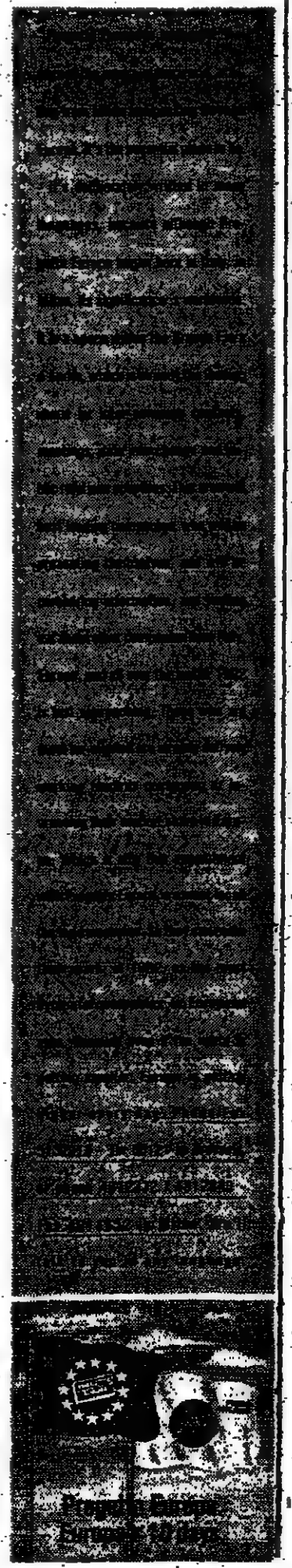
Country and New Town Properties incurred losses of \$2.68m in the six months to July 31 1987 compared with pre-tax profits of \$1.26m in the corresponding period last year.

The directors, he said, were currently reviewing the strategy

for the group's future development. That would include the disposal, in an orderly manner, of the majority of the UK provincial portfolio and properties in other geographic areas where continued presence was not envisaged. The interim is unchanged at 0.7p net.

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TEN DAYS
AT THE CENTRE
DEL MUNDO,
PARTIENDO
DE MILAN
EN PASSANT
PAR L'EUROPE.
DABEI SEIN
IST ALLES.



Reorganisation at Hill Samuel

Further board changes at HILL SAMUEL following its acquisition by the Trustee Savings Bank include: Mr W.N. Bowen (chief executive, Hill Samuel Investment Management Group); Mr E. Daniels (chief executive, Noble Lowndes & Partners); Mr H. Donaldson (chief executive, Hill Samuel & Co.); Mr G.E.H. Kiteon (chief executive, Hill Samuel Investment Services Group); and Mr M.J. Steele (chief executive designate, Wescol International Marine services); all join Hill Samuel Group board. Mr D.J. Davies, deputy chairman and chief executive of the group, has been appointed chairman of all the following subsidiaries except Wescol International Marine Services, where he becomes chairman on March 31 when Mr J.M. Toopwood retires. Mr D.C. Mootham has joined the Wescol board. At Hill Samuel & Co., Mr Davies becomes joint chairman with Sir Richard Lloyd, and Mr D. Becks becomes deputy chairman. At Hill Samuel Investment Management Group, Mr Bowen becomes deputy chairman and Mr Mootham joins the board. At Hill Samuel Investment Services Group, Mr Kiteon is appointed deputy chairman, and Mr F.E. Wales deputy chief executive. Mr Daniels has been appointed deputy chairman and Sir Robert Clark, group chairman, has resigned from the board of Noble Lowndes & Partners.

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Legal Notices

IN THE HIGH COURT OF JUSTICE
No 1160 of 1987
IN BANKRUPTCY

RE: GERARD RAYMOND LANCIAULT
PETITIONING CREDITORS: THE FIRST
NATIONAL BANK OF BOSTON

TO: GERARD RAYMOND LANCIAULT whose present place of residence is unknown, Occupation unknown, and last residing at Reeds Farm, Mill Lane, Stoneham, Buntingford, Cambridgeshire.

TAKE NOTICE that a Bankruptcy Petition has been presented against you in this Court by the First National Bank of Boston whose registered office is situated at Bank of Boston House, 59 Victoria Street, London SW1H 0ED and the Court has ordered that publication in the Financial Times and the nearest daily newspaper of the presentation of such petition and the time and place fixed for the hearing of the petition shall be deemed to be good and sufficient service of the said petition upon you 7 days after completion and publication as aforesaid.

The said Petition will be heard at this Court on - 22nd January 1988
Time - 11.30 hours
Place - Thomas More Building,
The Royal Courts of Justice, Strand, London WC2

IMPORTANT

If you do not attend the hearing of the Petition the Court may make a Bankruptcy Order against you in your absence. The Petition can be opposed by you at any time at the Court, whose offices are at Thomas More Building, The Royal Courts of Justice, Strand, London WC2.

DATED the 30th day of November 1987

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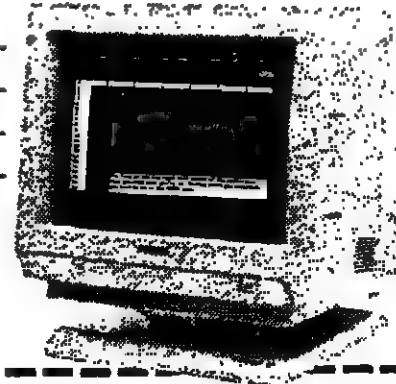
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PHILIPS

COMMODITIES AND AGRICULTURE

Iran signals trouble for Opec over dollar decline

BY JOAN WUCHNER KIM

IRANIAN OIL Minister Mr. Gholamreza Azghadeh yesterday indicated his country would not accept any Opec agreement which did not take account of the decline in the value of the dollar.

He said, in a statement attacking Saudi Arabia and its Gulf allies, that the Opec meeting next week would be difficult. Opec was being doubly hit by declining oil prices and the dollar.

Ministers from Opec's 13 member-states will meet in Geneva on December 8 to set next year's production quotas.

Iran will propose a \$2-a-barrel

price rise and redenomination of oil prices into a basket currency. Failing this it will seek yearly price rises proportional to the dollar's decline in value. New monitoring procedures will also be presented.

Oil prices have slipped between \$3 and \$4 a barrel since the summer, largely in response to overproduction by Opec members. Production is running about 2.3m barrels per day above Opec's agreed production ceiling of 16.6m b/d.

Iran blames overproduction by Saudi Arabia and its 50-called allies, a reference to Kuwait and the United Arab Emirates, after

the troubles at Mecca last July involving Iranian pilgrims resulted in more than 400 deaths. The incident soured relations between Tehran and Riyadh and halted a period of closer co-operation on Opec matters.

The Opec meeting will consider raising Iraq's quota to match Iran's to try to bring Baghdad back into line with Opec production policy. The Iraqi oil minister, Mr. Hassan Abdul-Rahim, was in Riyadh last week for talks. He is in Kuwait for a meeting of the Organisation of Arab Petroleum Exporting Countries.

World coal price 'too low'

BY LUCY KELLAWAY

COAL'S INTERNATIONAL price was too low and not sustainable, Mr. Malcolm Edwards, British Coal commercial director, said yesterday when addressing the European Committee of Energy Research and Technology.

He warned against closing deep mines in Europe because of present low prices, saying closures could bring on another shortage of the kind seen in the 1950s.

He said that though European producers should not be protected from market forces, any major changes to the industry should be made on the basis of real and sustainable coal prices.

He said there was a need for an economic reference price for European Community coal which would take into account increases in European coal demand, exchange rates and so on.

When the international price was below the economic price, governments should ensure coal was sold for efficient local mines, perhaps through long-term deals with the electricity supply industry.

Large international producers of coal which had brought new mines onstream on the basis of over-optimistic demand projec-

tions in the early 1970s were depressing prices in the hope of squeezing out competition.

These mines accounted for about 60m tonnes of the 132m tonnes of internationally-traded steam-coal. They were selling at prices which only covered low variable costs.

"Imported coal cannot replace large parts of today's international coal prices. It must rest firmly on the economics of the sustainable long-term price for international coal to secure the lowest continuing prices for energy," he said.

US silver mining may double by 1990

By Nancy Dunne in Washington

US SILVER-mining activity, rebounding from a decline last year, is expected to double production between 1988 and 1990 as a result of increased demand and the firming market.

According to projections from the Silver Institute in Washington DC the US will by 1989 have jumped from its position as the world's fifth-largest silver producer to be second-largest.

Silver output is expected to rise by 20 per cent among free-world producers, from 1987 to 1990. The greatest part of the increase was expected this year, a jump of 9 per cent being predicted.

The Institute makes its forecasts on the basis of estimates from 335 mining entities all over the world.

It projects the ranking of the world's five top silver producers for this year as Mexico 77.1m Troy ounces; Peru 62.8m Troy ounces; Soviet Union 54.6m Troy ounces; Canada 49.4m Troy ounces; US 43.2m Troy ounces.

Gold production is also rising around the world. According to Washington's Gold Institute, free-world gold production will jump by 20 per cent between last year and 1990, with the largest part of the rise, 7 per cent, expected next year.

In the US gold production is expected to double, nearly, from 2.4m ounces last year to 6.1m in 1990.

South Africa is not expected to show large production gains but Canadian output is expected to jump from 3.5m ounces last year to 5.4m in 1990, with similar increases expected for Australia.

The Soviet Union is expected to maintain second place in gold production over the next five years, with output rising from 16m ounces to 12.1m.

In the same period Soviet silver production is expected to rise from 51.4m Troy ounces to 64.4m Troy ounces.

Polish silver production is expected to fall over the five years from 51.4m Troy ounces to 25.1m Troy ounces.

Mr. William Murphy, an executive director of Reardon Goldfields Consolidated, said direct sales from producer to consumer had a stabilising influence on the price of tin but direct sales were possible only between large and medium-sized companies. There would always be a need for a merchant trade.

China's tin production in 1987, introduced gradually since October and made public today, could last as long as a year, a foreign diplomat said, Reuters reports from Peking.

There was the risk, therefore, that the LME price would not be truly representative and would not be accepted within the industry.

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Jordan Phosphates aims for consolidation

Michael Field on a £109m to £164m expansion programme

JORDAN PHOSPHATES Mines, the company which is the Kingdom of Jordan's biggest industry and chief earner of foreign exchange, is in the early stages of a \$200m to \$300m (£125m to £164m) expansion programme.

The country is the world's fifth-biggest producer of phosphate rock after the US, the Soviet Union, Morocco and China, and third-biggest exporter after Morocco and the US. The expansion programme is intended to consolidate its position and to make the industry more profitable.

In recent years the company has been producing from two mines, Al-Hammam and Al-Bad, in the centre of the country. About 85 per cent of output, 6.8m tonnes this year, is exported, the rest is supplied to a fertilizer plant at Ajlun on the Red Sea.

This plant became part of the company last year, when it bought Jordan Fertilizers Industry, the company which had owned and run the plant since it was commissioned in 1983. The plant, up to the takeover, had accumulated losses of nearly \$140m.

Now, Jordan Phosphates plans are to expand the fertilizer plant and make it profitable, and to develop a huge, new, low-cost phosphate mine at Shalish.

Two years ago it shut the Ruseifa mine, a small, poor source of rock in the country's north, near Amman, which had been weakening its otherwise good profits. It intends, in the long run, to close Al-Hammam and Al-Bad, too.

To fund expansion it is increasing its capital this month from Jordanian Dinars 20m (£65m) to JD50m.

The main projects in its programme are:

1. Development of Shalish. This mine, in the south of the

country near Aqaba port, has proven reserves of 12m tonnes and possible reserves of 4m to 5m tonnes. This compares with 200m tonnes to 300m tonnes proven at Al-Hammam and Al-Bad.

The Shalish reserves - unlike reserves elsewhere in Jordan - have the advantage of being concentrated at a single location and a single depth, and are covered by a relatively small amount of overburden. The ratio of phosphate to overburden at Shalish is 1:3, compared to 1:10 elsewhere.

The cost of the work at Shalish by the time it is completed in 1990 will be \$200m to \$300m. The company has spent relatively little of this. Finance will come from the World Bank which has promised \$31m and suppliers' credits.

It is intended that Shalish will be more mechanised than the other mines. One big walking dragline is on order from Bannock & Rapier of Britain and tenders are out for two more.

Production should begin late next year and should be running at 3m tonnes a year by 1990. It is expected that Shalish will be the only mine producing in Jordan by the year 2000.

2. Expansion of fertilizer plant. The fertilizer plant at Ajlun has lost money, partly because fertilizer prices have been depressed in the mid-1980s and partly because it has run at only 65 per cent to 75 per cent capacity.

In the past 12 months its average costs per tonne of output have been cut from \$250 to \$200 but early this year its fertilizer was still fetching only \$160 to

\$180 a tonne. Now the market is improving and contracts are being signed for more than \$200. The cost of raising output to capacity will be up to \$20m. Part of this may be borne by the French main contractor for the plant, which is involved in a dispute over the low production of the phosphoric acid unit.

3. Phosphate rock desalting project. To help smooth the fertilizer plant's operation the company intends to separate phosphate grit from dust at the mines. The grit will be exported.

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The dust, in wet form, will be fed to the fertilizer plant which will save it money on grinding.

5. Expansion of phosphate acid production. The company is studying two schemes for new phosphoric acid lines, both of which would involve it in joint-ventures with foreign companies.

One study, at an advanced stage, is with an Indian company. It would involve a plant taking 700,000 tonnes to 1m tonnes of rock a year.

The other, with a Russian organisation, is for a bigger plant which would take 1.5m tonnes to 2m tonnes of rock and would produce phosphoric acid and/or super-phosphate acid.

The projects would be fed different types of rock and are not mutually exclusive.

6. Dicalcium phosphate project. The company is studying a plant which will produce dicalcium phosphate, a mix which can be added to livestock feed.

The company's strategy is, in general, to process the increment in its phosphate rock output, but it will continue exporting rock at existing levels.

7. The reason is simply diversification and prudence: phosphate rock may not have the added value of fertilizer but it is sold under term contract rather than by the batch and its price tends to fluctuate less.

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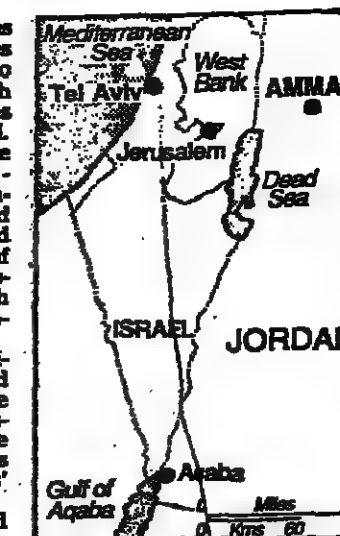
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Year	Production (m tonnes)	Exported (m tonnes)	Delivered to fertilizer plant (m tonnes)
1985	4.6	0.8	0.8
1986	4.6	0.8	0.8
1987 (est.)	5.7	1.1	1.1
1988 (est.)	6.5	1.3	1.3
1990 (est.)	6.5	2.5	2.5

UK forest products 'set to expand'

By James Rennie, Scottish Correspondent

BRITISH FOREST products are set to expand rapidly, says a study by the Forestry Commission, the industry's main body.

The report is entitled Beyond 2000. It steers clear of many controversies raging over forestry, particularly over the planting of conifers in environmentally sensitive areas of northern Scotland.

Instead it says that since 1984 there has been a renaissance in the British forest products industry. Following a wave of closures at the start of the decade about 100 small firms have been taken over by larger ones.

This is a conclusion in a study of the British forestry industry published yesterday by the Forestry Industry Committee of

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CME delays gold options contract

By Deborah Hargreaves in Chicago

THE CHICAGO Mercantile Exchange has delayed the launch of its gold options contract, which was scheduled to proceed this week. In spite of the exchange's marketing department inviting traders to come along for Thursday's launch, it has unceremoniously shelved plans to list the contract in the immediate future.

One reason for the delay is the illiquidity of the underlying futures contract, which trades little more than 300 to 300 con

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Central banks boost dollar

CONCERTED CENTRAL bank intervention helped to stop the rot in currency markets yesterday and the dollar finished above Monday's closing levels. Speculators entered the market early this morning prepared to push the dollar lower but attitudes were quickly modified as reports of official intervention filtered through. This prompted a rash of short covering.

Intervention by European central banks took advantage of a lull in the dollar's downward momentum. The latter had already started in the Far East. Speculators paused for breath ahead of tomorrow's meeting of the Bundesbank where dollar sentiment is likely to be influenced by whether or not there is a cut in the West German discount rate. A reduction had already been discounted to a large extent.

However some analysts suggested that the Bundesbank had so far been less than impressed by US efforts to implement their part of the Louvre accord.

Cuts in the budget deficit exist at present only on paper and early signs suggest that the path through Congress is going to be a little bumpy.

So while the dollar moved higher, sentiment still pointed towards a further downturn.

News of a 0.2 p.c. fall in US leading economic indicators in October compared with an unchanged figure for September was slightly better than expected but had little effect on trading.

The dollar closed at DM1.640 up from DM1.640 and ¥132.55 compared with ¥132.45. Elsewhere it rose to SFr1.3505 from SFr1.3450 and FF16.825 com-

pared with FF16.800. On Bank of England figures, the dollar's exchange rate index rose from 94.4 to 95.0.

Sterling was placed within a straight jacket. Its performance against European currencies was restricted by the Bank of England's determination to defend the DM3.00 level. Consequently it was confined to a reciprocal of movements in the dollar.

The pound recovered from a low of \$1.8040 to finish at \$1.8195 but this was still down from Monday's close of \$1.8260. It was a little higher against the D-Mark at DM2.8075 from DM2.8050 and ¥242.00 compared with ¥241.75. Elsewhere it finished at SFr2.4575 from SFr2.4550 and FF17.0125 against FF17.010.

The pound's exchange rate index closed at 76.9 up from 76.1 at the opening but down from 76.4 on Monday.

D-MARK-Trading range against the dollar in 1987 is 1.5905 to 1.6400. November average 1.5770. Exchange rate index against 146.4 six months ago.

Intervention by the Bundes-

bank at yesterday's fixing in Frankfurt amounted to a nominal \$5.1m as the dollar was fixed at DM1.6536 up from DM1.6364 on Monday.

However the Bundesbank had already been active in the open market with other central banks to underpin the dollar. The presence of central banks meant that most speculators were content to cover their short positions ahead of tomorrow's meeting of the Bundesbank central committee.

Despite the uncertainty caused by intervention, most traders retained a bearish view of the dollar.

JAPANESE YEN-Trading range against the dollar in 1987 is 189.45 to 132.45. November average 135.35. Exchange rate index 230.6 six months ago.

Trading remained nervous in Tokyo. As the momentum of the dollar's renewed fall had started to slacken so speculators moved to cover their short dollar positions.

There was no change in sentiment, merely a pause for breath. The dollar closed at ¥132.55 compared with ¥132.25 in New York and ¥132.45 in Tokyo on Monday.

EMS EUROPEAN CURRENCY UNIT RATES

Currency	Unit	Rate	% change
Bundesbank	100	1.6400	+0.00
Deutsche Mark	100	1.6400	+0.00
French Franc	100	1.3505	+0.00
Italian Lira	100	1.3505	+0.00
Spanish Peseta	100	1.3505	+0.00
Portuguese Escudo	100	1.3505	+0.00
Belgian Franc	100	1.3505	+0.00
Dutch Guilder	100	1.3505	+0.00
Austrian Schilling	100	1.3505	+0.00
Swiss Franc	100	1.3505	+0.00
Irish Pound	100	1.3505	+0.00
UK Pound	100	1.3505	+0.00

Changes are for Dec 1, therefore positive change denotes a week's currency adjustment indicated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Spot	1 month	3 months	6 months	12 months
US Dollar	1.8195	1.8195	1.8195	1.8195
Deutsche Mark	2.8075	2.8075	2.8075	2.8075
Japanese Yen	242.00	242.00	242.00	242.00
Swiss Franc	2.4575	2.4575	2.4575	2.4575
French Franc	16.825	16.825	16.825	16.825
Italian Lira	1.3505	1.3505	1.3505	1.3505
Spanish Peseta	1.3505	1.3505	1.3505	1.3505
Portuguese Escudo	1.3505	1.3505	1.3505	1.3505
Belgian Franc	1.3505	1.3505	1.3505	1.3505
Dutch Guilder	1.3505	1.3505	1.3505	1.3505
Austrian Schilling	1.3505	1.3505	1.3505	1.3505
Swiss Franc	1.3505	1.3505	1.3505	1.3505
Irish Pound	1.3505	1.3505	1.3505	1.3505
UK Pound	1.3505	1.3505	1.3505	1.3505

US Dollar and forward are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the pound sterling. Forward rates are for immediate delivery. Forward rates are for 12 months.

EURO CURRENCY INTEREST RATES

Currency	3 months	6 months	12 months
US Dollar	5.00%	5.00%	5.00%
Deutsche Mark	5.00%	5.00%	5.00%
Japanese Yen	5.00%	5.00%	5.00%
Swiss Franc	5.00%	5.00%	5.00%
French Franc	5.00%	5.00%	5.00%
Italian Lira	5.00%	5.00%	5.00%
Spanish Peseta	5.00%	5.00%	5.00%
Portuguese Escudo	5.00%	5.00%	5.00%
Belgian Franc	5.00%	5.00%	5.00%
Dutch Guilder	5.00%	5.00%	5.00%
Austrian Schilling	5.00%	5.00%	5.00%
Swiss Franc	5.00%	5.00%	5.00%
Irish Pound	5.00%	5.00%	5.00%
UK Pound	5.00%	5.00%	5.00%

Long term Eurocurrency: two years 5.00% per cent; three years 5.00% per cent; five years 5.00% per cent; ten years 5.00% per cent. Short term rates are for the US dollar and Japanese Yen only, see other rates.

CURRENCY MOVEMENTS

Currency	Dec 1	Dec 2	% change
US Dollar	1.8195	1.8195	+0.00
Deutsche Mark	2.8075	2.8075	+0.00
Japanese Yen	242.00	242.00	+0.00
Swiss Franc	2.4575	2.4575	+0.00
French Franc	16.825	16.825	+0.00
Italian Lira	1.3505	1.3505	+0.00
Spanish Peseta	1.3505	1.3505	+0.00
Portuguese Escudo	1.3505	1.3505	+0.00
Belgian Franc	1.3505	1.3505	+0.00
Dutch Guilder	1.3505	1.3505	+0.00
Austrian Schilling	1.3505	1.3505	+0.00
Swiss Franc	1.3505	1.3505	+0.00
Irish Pound	1.3505	1.3505	+0.00
UK Pound	1.3505	1.3505	+0.00

Source: Reuters. Changes are for Dec 1, therefore positive change denotes a week's currency adjustment indicated by Financial Times.

OTHER CURRENCIES

Currency	Dec 1	Dec 2	% change
Argentine Peso	1.3505	1.3505	+0.00
Australian Dollar	1.3505	1.3505	+0.00
Canadian Dollar	1.3505	1.3505	+0.00
Chinese Yuan	1.3505	1.3505	+0.00
Hong Kong Dollar	1.3505	1.3505	+0.00
Indian Rupee	1.3505	1.3505	+0.00
Israeli Sheqel	1.3505	1.3505	+0.00
Malaysian Ringgit	1.3505	1.3505	+0.00
New Zealand Dollar	1.3505	1.3505	+0.00
Philippine Peso	1.3505	1.3505	+0.00
Singapore Dollar	1.3505	1.3505	+0.00
South African Rand	1.3505	1.3505	+0.00
South Korean Won	1.3505	1.3505	+0.00
Taiwan Dollar	1.3505	1.3505	+0.00
Thai Baht	1.3505	1.3505	+0.00
US Dollar	1.3505	1.3505	+0.00
UK Pound	1.3505	1.3505	+0.00

Source: Reuters. Changes are for Dec 1, therefore positive change denotes a week's currency adjustment indicated by Financial Times.

EXCHANGE CROSS RATES

Currency	Dec 1	Dec 2	% change
US Dollar	1.8195	1.8195	+0.00
Deutsche Mark	2.8075	2.8075	+0.00
Japanese Yen	242.00	242.00	+0.00
Swiss Franc	2.4575	2.4575	+0.00
French Franc	16.825	16.825	+0.00
Italian Lira	1.3505	1.3505	+0.00
Spanish Peseta	1.3505	1.3505	+0.00
Portuguese Escudo	1.3505	1.3505	+0.00
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Austrian Schilling	1.3505	1.3505	+0.00
Swiss Franc	1.3505	1.3505	+0.00
Irish Pound	1.3505	1.3505	+0.00
UK Pound	1.3505	1.3505	+0.00

Source: Reuters. Changes are for Dec 1, therefore positive change denotes a week's currency adjustment indicated by Financial Times.

MONEY MARKETS

UK rates lower

INTEREST RATES managed to show a small decline in London yesterday. Traders remained aware of recent official comments warning against an early cut in base rates but at the same time recognised that market forces could alter official policy. As one dealer suggested: "We remain optimistic but not pushy" - when referring to the prospects of a cut in base rates.

Three-month interbank money was quoted at 8.5%-8.75% p.c. from 9.5% p.c. Overnight money opened at 9.5%-9.75% p.c. and touched a high of 9.5% p.c. before finishing around 8.5% p.c.

UK clearing bank base

lending rate 9 per cent

from November 5

The Bank of England forecast

a shortage of around \$500m

with factors affecting the market

including the repayment of late

assistance and bills maturing in

official hands together with a

take up of Treasury bills draining

\$600m and bank balances

brought forward \$50m below

target. In addition there was a

\$10m rise in the note circulation.

These were partly offset by

exchange transactions which

added \$145m.

The forecast was revised to a

shortage of around \$800m and

the Bank gave assistance in the

morning of \$10m through out-

right purchases of eligible bank

bills in hand 2 at 8.5% p.c.

A further revision took the

forecast to a shortage of \$750m,

before taking into account the

earlier help, and the Bank gave

additional assistance in the after-

noon of \$500m, \$250m through

outright purchases of eligible

bank bills. \$200m were bought

in hand 1 and \$20m in hand 2,

all at 8.5% p.c. The balance com-

prised sale and repurchase agree-

ments on \$200m of bills at 8.5%

p.c., for resale to the market on

December 15.

Later help came to \$185m, mak-

ing a total of \$775m.

In Frankfurt the Bundesbank

announced its intention to hold a

34-day sale and repurchase ten-

der at a fixed rate of 8.25 p.c.

The previous facility also had a

fixed rate of 8.25 p.c. Successful

applicants will receive their allo-

cations today and since there is

no expiring facility this week,

the amount allocated will repre-

sent new money.

Consequently call money rates

were lower at 3.50 p.c. from

3.625 p.c. on Monday. There was

probably money reaching the

market as a result of the Bundes-

bank's support for the dollar.

However all this liquidity was

required to offset Lombard bor-

rowings on Monday of over

DM500m at 4 p.c. as commercial

banks strived to meet end of

month minimum reserve

requirements with the Bundes-

bank.

FINANCIAL FUTURES

Gilts lose ground

LONG TERM gilt futures finished lower in the life market yesterday. At times of uncertainty, investors tend to focus on short dated instruments. These were marked up yesterday as a result but sectors such as long dated gilts suffered under the dual drive of a sharpening yield curve and question marks about inflation.

Consequently the desire to keep cash at the short end, thereby minimising the risk, meant that long term gilt futures lost ground. In relatively low volume the March contract

(which now attracts nearly all the trading) fell from an opening level of 121.08 to close at 120.28 down from 121.14 on Monday.

Three-month sterling deposits, being a short dated instrument, managed to recover from a lower start of 91.22 for December delivery, to finish at 91.25, unchanged from Monday.

US Treasury bond futures took heart from yesterday's intervention by central banks to support the dollar. This provided a psychological boost but failed to answer any of the longer term

questions. Investors are still having to ask themselves how will the latest efforts to cut the US budget deficit succeed (if at all) before the December 16 Gramm-Rudman deadline? In addition, will the US administration continue to let the dollar take the strain and if so what are the implications for a consequent rise in inflation? In the short term these questions are likely to remain unanswered, but the current dollar revival left the March contract higher at 86-15 from 86-30 on Monday.

LIFE US TREASURY BOND FUTURES

Contract	Dec 1	Dec 2	% change
March	121.14	120.28	-0.70
June	121.14	120.28	-0.70
September	121.14	120.28	-0.70
December	121.14	120.28	-0.70
March	121.14	120.28	-0.70
June	121.14	120.28	-0.70
September	121.14	120.28	-0.70
December	121.14	120.28	-0.70

Estimated volume: 100,000 contracts. Source: Reuters.

LIFE US TREASURY BOND FUTURES

Contract	Dec 1	Dec 2	% change
March	121.14	120.28	-0.70
June	121.14	120.28	-0.70
September	121.14	120.28	-0.70
December	121.14	120.28	-0.70
March	121.14	120.28	-0.70
June	121.14	120.28	-0.70
September	121.14	120.28	-0.70
December	121.14	120.28	-0.70

Estimated volume: 100,000 contracts. Source: Reuters.

LIFE US TREASURY BOND FUTURES

Contract	Dec 1	Dec 2	% change
March	121.14	120.28	-0.70
June	121.14	120.28	-0.70
September	121.14	120.28	-0.70
December	121.14	120.28	-0.70
March	121.14	120.28	-0.70
June	121.14	120.28	-0.70
September	121.14	120.28	-0.70
December	121.14	120.28	-0.70

Estimated volume: 100,000 contracts. Source: Reuters.

LIFE US TREASURY BOND FUTURES

Mar.	120.26	121.15	120.15	121.46
Jun.	120.26	121.12	120.15	121.14
Nov.	120.88	—	—	121.01
Estimated Volume 21034(21597)				
Previous day's open int. 22964(23144)				
% NATIONAL LONG TERM JAPANESE 1997.				
INDEX 1180m 1800m of 180%				
	Close	High	Low	Prev.
Mar	105.60	105.50	105.00	106.14
Dec	104.50	104.80	104.50	103.66
Estimated Volume 42638(56351)				
Previous day's open int. 107203(17700)				

BASE LENDING RATES

CLASSIFIED ADVERTISEMENT RATES

FT CROSSWORD No.6,497
SET BY PROTEUS

ACROSS

1 Looks closely at Girl Guides? (12)
10 Folded as credit was relaxed (7)
11 Hair treatment required for quiet morning at flower-circle (7)
12 Franco-German assent needed beyond (5)
13 Boring notes about type of wall construction (8-5)
15 Kind of lace not meeting requirements (10)
16 Abandoned port to sailors (4)
18 Performer overly desirous to make comeback (4)
20 Where research is done by born speaker in non-professional circumstances (10)
22 Dead as when if boring (8)
24 Head teacher given raw deal over letter (5)
26 Start song outside (4-3)
27 A roll for example is executed with brisk movement (7)
28 Variable conditions demanded by girl demonstrators (5,7)

DOWN

2 Initial opportunity perhaps (7)
3 He is willing to prove list upside down (8)
4 Manner of fashion (4)
5 Act of purifying from share of sense to oneself (7)
6 Square box over nets (5)

7 Imagine composer thus inwardly exalted? (7)
8 Where one has to put up with compromise (13)
9 Compact attempt at Lorca play for Christmas performance? (8,5)
11 Russian sailor also no mean flier (3,7)
12 Gale giving firm buffet (4,4)
13 Unusually large measure accepted at plant (7)
21 One may be indebted to him for girl being given OBE (7)
23 Celebrity swallows one in flight (5)
25 Unconscious outbreak (4)
Solution to Puzzle No.8, 1996

SIGHTS CRACKPOT
B R Y O O E K
O P E R A T E O C T U P L E
U E M A N T S S
L A N D T R A M P O L I N E
D R B N A N S
E V E L I O S T A R V E D
R L L D E S I H
C A T E L I E R S E A L E
O E P A L L H A
S I S S W A T C H E R
N D U M S
W I T S O U T T R I P U L I
S E E U E N L E
P E R O X I D E E X P O S

AUTHORISED UNIT TRUSTS

[illegible]

[illegible]

FT UNIT TRUST INFORMATION SERVICE[illegible]

LONDON SHARE SERVICE

[illegible]

INDUSTRIALS (Miscel.) - Contd.

BUILDING, TIMBER, ROADS

[illegible]

12	Manders, Orlan	112
121	Marley	126

[illegible]

CHEMICALS, PLASTICS

203	204	205	206	207	208	209	210	211	212	213	214	215	216	217	218	219	220	221	222	223	224	225	226	227	228	229	230	231	232	233	234	235	236	237	238	239	240	241	242	243	244	245	246	247	248	249	250	251	252	253	254	255	256	257	258	259	260	261	262	263	264	265	266	267	268	269	270	271	272	273	274	275	276	277	278	279	280	281	282	283	284	285	286	287	288	289	290	291	292	293	294	295	296	297	298	299	300	301	302	303	304	305	306	307	308	309	310	311	312	313	314	315	316	317	318	319	320	321	322	323	324	325	326	327	328	329	330	331	332	333	334	335	336	337	338	339	340	341	342	343	344	345	346	347	348	349	350	351	352	353	354	355	356	357	358	359	360	361	362	363	364	365	366	367	368	369	370	371	372	373	374	375	376	377	378	379	380	381	382	383	384	385	386	387	388	389	390	391	392	393	394	395	396	397	398	399	400	401	402	403	404	405	406	407	408	409	410	411	412	413	414	415	416	417	418	419	420	421	422	423	424	425	426	427	428	429	430	431	432	433	434	435	436	437	438	439	440	441	442	443	444	445	446	447	448	449	450	451	452	453	454	455	456	457	458	459	460	461	462	463	464	465	466	467	468	469	470	471	472	473	474	475	476	477	478	479	480	481	482	483	484	485	486	487	488	489	490	491	492	493	494	495	496	497	498	499	500	501	502	503	504	505	506	507	508	509	510	511	512	513	514	515	516	517	518	519	520	521	522	523	524	525	526	527	528	529	530	531	532	533	534	535	536	537	538	539	540	541	542	543	544	545	546	547	548	549	550	551	552	553	554	555	556	557	558	559	560	561	562	563	564	565	566	567	568	569	570	571	572	573	574	575	576	577	578	579	580	581	582	583	584	585	586	587	588	589	590	591	592	593	594	595	596	597	598	599	600	601	602	603	604	605	606	607	608	609	610	611	612	613	614	615	616	617	618	619	620	621	622	623	624	625	626	627	628	629	630	631	632	633	634	635	636	637	638	639	640	641	642	643	644	645	646	647	648	649	650	651	652	653	654	655	656	657	658	659	660	661	662	663	664	665	666	667	668	669	670	671	672	673	674	675	676	677	678	679	680	681	682	683	684	685	686	687	688	689	690	691	692	693	694	695	696	697	698	699	700	701	702	703	704	705	706	707	708	709	710	711	712	713	714	715	716	717	718	719	720	721	722	723	724	725	726	727	728	729	730	731	732	733	734	735	736	737	738	739	740	741	742	743	744	745	746	747	748	749	750	751	752	753	754	755	756	757	758	759	760	761	762	763	764	765	766	767	768	769	770	771	772	773	774	775	776	777	778	779	780	781	782	783	784	785	786	787	788	789	790	791	792	793	794	795	796	797	798	799	800	801	802	803	804	805	806	807	808	809	810	811	812	813	814	815	816	817	818	819	820	821	822	823	824	825	826	827	828	829	830	831	832	833	834	835	836	837	838	839	840	841	842	843	844	845	846	847	848	849	850	851	852	853	854	855	856	857	858	859	860	861	862	863	864	865	866	867	868	869	870	871	872	873	874	875	876	877	878	879	880	881	882	883	884	885	886	887	888	889	890	891	892	893	894	895	896	897	898	899	900	901	902	903	904	905	906	907	908	909	910	911	912	913	914	915	916	917	918	919	920	921	922	923	924	925	926	927	928	929	930	931	932	933	934	935	936	937	938	939	940	941	942	943	944	945	946	947	948	949	950	951	952	953	954	955	956	957	958	959	960	961	962	963	964	965	966	967	968	969	970	971	972	973	974	975	976	977	978	979	980	981	982	983	984	985	986	987	988	989	990	991	992	993	994	995	996	997	998	999	1000
203	204	205	206	207	208	209	210	211	212	213	214	215	216	217	218	219	220	221	222	223	224	225	226	227	228	229	230	231	232	233	234	235	236	237	238	239	240	241	242	243	244	245	246	247	248	249	250	251	252	253	254	255	256	257	258	259	260	261	262	263	264	265	266	267	268	269	270	271	272	273	274	275	276	277	278	279	280	281	282	283	284	285	286	287	288	289	290	291	292	293	294	295	296	297	298	299	300	301	302	303	304	305	306	307	308	309	310	311	312	313	314	315	316	317	318	319	320	321	322	323	324	325	326	327	328	329	330	331	332	333	334	335	336	337	338	339	340	341	342	343	344	345	346	347	348	349	350	351	352	353	354	355	356	357	358	359	360	361	362	363	364	365	366	367	368	369	370	371	372	373	374	375	376	377	378	379	380	381	382	383	384	385	386	387	388	389	390	391	392	393	394	395	396	397	398	399	400	401	402	403	404	405	406	407	408	409	410	411	412	413	414	415	416	417	418	419	420	421	422	423	424	425	426	427	428	429	430	431	432	433	434	435	436	437	438	439	440	441	442	443	444	445	446	447	448	449	450	451	452	453	454	455	456	457	458	459	460	461	462	463	464	465	466	467	468	469	470	471	472	473	474	475	476	477	478	479	480	481	482	483	484	485	486	487	488	489	490	491	492	493	494	495	496	497	498	499	500	501	502	503	504	505	506	507	508	509	510	511	512	513	514	515	516	517	518	519	520	521	522	523	524	525	526	527	528	529	530	531	532	533	534	535	536	537	538	539	540	541	542	543	544	545	546	547	548	549	550	551	552	553	554	555	556	557	558	559	560	561	562	563	564	565	566	567	568	569	570	571	572	573	574	575	576	577	578	579	580	581	582	583	584	585	586	587	588	589	590	591	592	593	594	595	596	597	598	599	600	601	602	603	604	605	606	607	608	609	610	611	612	613	614	615	616	617	618	619	620	621	622	623	624	625	626	627	628	629	630	631	632	633	634	635	636	637	638	639	640	641	642	643	644	645	646	647	648	649	650	651	652	653	654	655	656	657	658	659	660	661	662	663	664	665	666	667	668	669	670	671	672	673	674	675	676	677	678	679	680	681	682	683	684	685	686	687	688	689	690	691	692	693	694	695	696	697	698	699	700	701	702	703	704	705	706	707	708	709	710	711	712	713	714	715	716	717	718	719	720	721	722	723	724	725	726	727	728	729	730	731	732	733	734	735	736	737	738	739	740	741	742	743	744	745	746	747	748	749	750	751	752	753	754	755	756	757	758	759	760	761	762	763	764	765	766	767	768	769	770	771	772	773	774	775	776	777	778	779	780	781	782	783	784	785	786	787	788	789	790	791	792	793	794	795	796	797	798	799	800	801	802	803	804	805	806	807	808	809	810	811	812	813	814	815	816	817	818	819	820	821	822	823	824	825	826	827	828	829	830	831	832	833	834	835	836	837	838	839	840	841	842	843	844	845	846	847	848	849	850	851	852	853	854	855	856	857	858	859	860	861	862	863	864	865	866	867	868	869	870	871	872	873	874	875	876	877	878	879	880	881	882	883	884	885	886	887	888	889	890	891	892	893	894	895	896	897	898	899	900	901	902	903	904	905	906	907	908	909	910	911	912	913	914	915	916	917	918	919	920	921	922	923	924	925	926	927	928	929	930	931	932	933	934	935	936	937	938	939	940	941	942	943	944	945	946	947	948	949	950	951																																																	

DRAPERY AND STORES

32	Intelsat Domestic 100	68	30	6	1	2	1
33	Alcatraz 100	68	30	6	1	2	1
34	Alcatraz 100	68	30	6	1	2	1
35	Alcatraz 100	68	30	6	1	2	1
36	Alcatraz 100	68	30	6	1	2	1
37	Alcatraz 100	68	30	6	1	2	1
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41	Alcatraz 100	68	30	6	1	2	1
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43	Alcatraz 100	68	30	6	1	2	1
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85	Alcatraz 100	68	30	6	1	2	1
86	Alcatraz 100	68	30	6	1	2	1
87	Alcatraz 100	68	30	6	1	2	1
88	Alcatraz 100	68	30	6	1	2	1
89	Alcatraz 100	68	30	6	1	2	1
90	Alcatraz 100	68	30	6	1	2	1
91	Alcatraz 100	68	30	6	1	2	1
92	Alcatraz 100	68	30	6	1	2	1
93	Alcatraz 100	68	30	6	1	2	1
94	Alcatraz 100	68	30	6	1	2	1
95	Alcatraz 100	68	30	6	1	2	1
96	Alcatraz 100	68	30	6	1	2	1
97	Alcatraz 100	68	30	6	1	2	1

Gen'l (S.M.) 10p	50	-5	1.5	0
Glacier Group 10p	283		16.5	1.7
Goldman (A)	136	-1	\$4.75	2.2

[illegible]**ENGINEERING – Contd**[illegible]

Comcast Group Inc	28			
Chesapeake & Potomac	117	+3	+6	28

[illegible]

— — — — —

Stevens (Lafayette)	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100
Stevens (Lafayette)	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100
Stevens (Lafayette)	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100
Stevens (Lafayette)	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100
Stevens (Lafayette)	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100
Stevens (Lafayette)	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100
Stevens (Lafayette)	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100
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Electronics
Tech. Inc.

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INSURANCES

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47

MINES - Contd

Line	Short	Price	Size	Rate	Time
59	Western Ind. 25c	70	100	1.0	1.0
60	Western Pacific AOD 20	70	100	1.0	1.0
61	Western Pacific 25c	70	100	1.0	1.0
62	Western Ind. 25c	70	100	1.0	1.0
63	Western Ind. 25c	70	100	1.0	1.0
64	Western Ind. 25c	70	100	1.0	1.0
65	Western Ind. 25c	70	100	1.0	1.0
66	Western Ind. 25c	70	100	1.0	1.0
67	Western Ind. 25c	70	100	1.0	1.0
68	Western Ind. 25c	70	100	1.0	1.0
69	Western Ind. 25c	70	100	1.0	1.0
70	Western Ind. 25c	70	100	1.0	1.0
71	Western Ind. 25c	70	100	1.0	1.0
72	Western Ind. 25c	70	100	1.0	1.0
73	Western Ind. 25c	70	100	1.0	1.0
74	Western Ind. 25c	70	100	1.0	1.0
75	Western Ind. 25c	70	100	1.0	1.0
76	Western Ind. 25c	70	100	1.0	1.0
77	Western Ind. 25c	70	100	1.0	1.0
78	Western Ind. 25c	70	100	1.0	1.0
79	Western Ind. 25c	70	100	1.0	1.0
80	Western Ind. 25c	70	100	1.0	1.0
81	Western Ind. 25c	70	100	1.0	1.0
82	Western Ind. 25c	70	100	1.0	1.0
83	Western Ind. 25c	70	100	1.0	1.0
84	Western Ind. 25c	70	100	1.0	1.0
85	Western Ind. 25c	70	100	1.0	1.0
86	Western Ind. 25c	70	100	1.0	1.0
87	Western Ind. 25c	70	100	1.0	1.0
88	Western Ind. 25c	70	100	1.0	1.0
89	Western Ind. 25c	70	100	1.0	1.0
90	Western Ind. 25c	70	100	1.0	1.0
91	Western Ind. 25c	70	100	1.0	1.0
92	Western Ind. 25c	70	100	1.0	1.0
93	Western Ind. 25c	70	100	1.0	1.0
94	Western Ind. 25c	70	100	1.0	1.0
95	Western Ind. 25c	70	100	1.0	1.0
96	Western Ind. 25c	70	100	1.0	1.0
97	Western Ind. 25c	70	100	1.0	1.0
98	Western Ind. 25c	70	100	1.0	1.0
99	Western Ind. 25c	70	100	1.0	1.0
100	Western Ind. 25c	70	100	1.0	1.0

THIRD MARKET

[illegible][illegible][illegible][illegible]

Yields are based on average prices, are gross, adjusted to ACT as of 1/1/84 and allow for value of deferred distribution and rights.

Yields and losses must first be taken into account to allow for interest income increased or reduced by the effect of the interest rate differential.

Time to maturity and call features, as applicable.

Foreign or registered securities.

Not subject to US tax (including permitted under 3354(b)(4)(C)(i)(II)); not listed on SIX Exchange and company not obligated to register in the US.

Denom in dollar \$500,000.

Payable in form of cash or listed securities.

Interest declared after paying any other rights/losses; cover interest with cash or securities on listed securities.

Warrant and/or participation in program.

Not convertible.

Can borrow additional funds under reduced coupon/interest.

Forward advance cover on earnings options by fixed interest.

Cover options for conversion of shares not now running for dividend.

Can be converted into shares at option of shareholder.

Does not allow for shares which may also rank for dividend.

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12-year	72	TI	36
13-year	73	TSA	17
14-year	74	Trans	12
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16-year	76	Trust Hous	25
17-year	77	WZA	25

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**A schedule of Officers listed is given on the
London Stock Exchange Report Page**

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

[illegible]

Continued on Page 51

AMEX COMPOSITE CLOSING PRICES

[illegible]**Nasdaq national market, closing prices**[illegible]

Continued on Page 49

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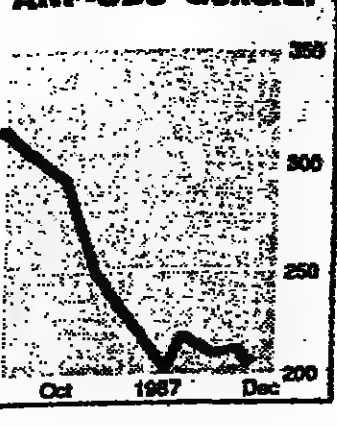
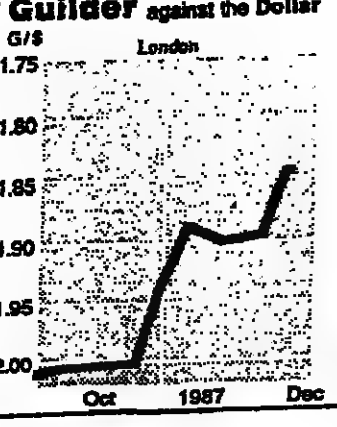
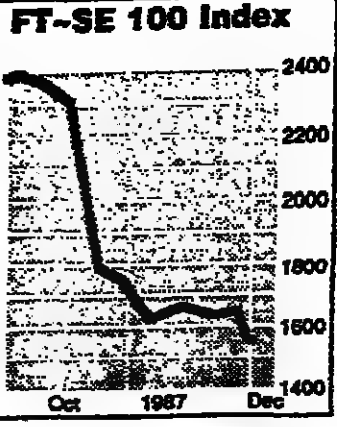
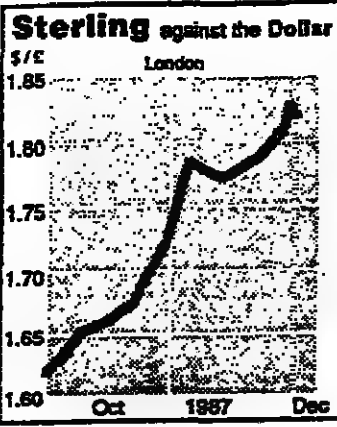
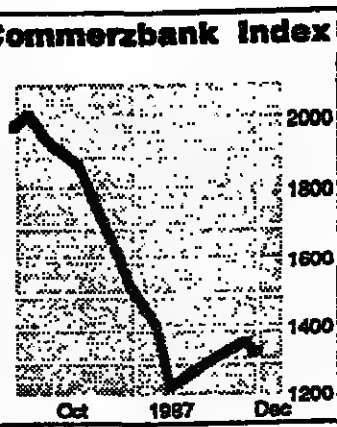
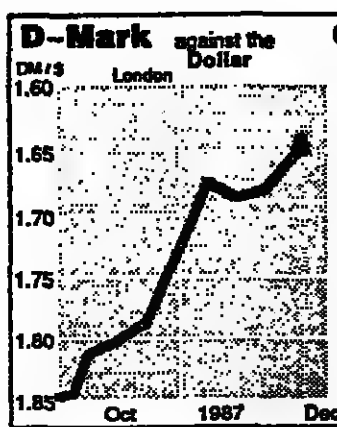
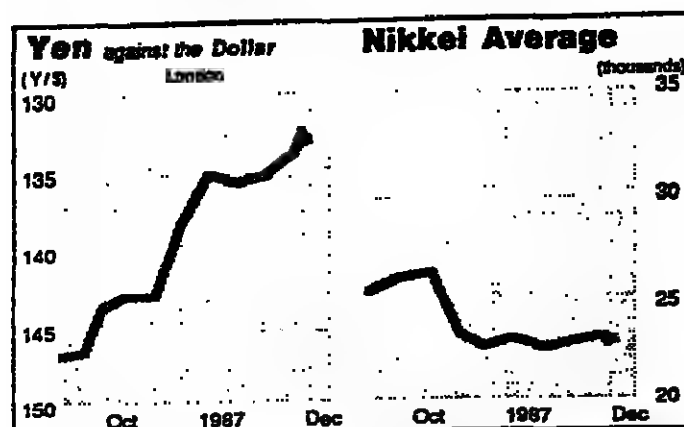
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WORLD STOCK MARKETS

FINANCIAL TIMES



Dow advances warily on heels of volatile dollar

TAKING their cue from the overnight recovery in the dollar, share prices yesterday managed to recover a small proportion of Monday's substantial losses but the mood remained acutely nervous, *Janet Bush writes in New York*.

The index of blue-chip stocks, the Dow Jones industrial average, ended the day up 8.79 points at 1,842.24 on slow volume of 150.4m shares. Of the broader market averages, only the American Exchange composite was down, as advancing stocks just outnumbered those falling in price.

Share prices closely tracked the dollar. An opening recovery of 30 points soon lost steam as renewed selling put pressure on the dollar. By mid-morning, the dollar was once again trading below DM1.85 and ¥133 and was testing 1.82 against sterling.

But the dollar later recovered on concerted support by several European central banks, as well as dollar purchases by the Bank of Japan. The US Federal Reserve seems to be keeping a closer eye on the foreign exchange market than in recent weeks but it did not appear to have been actively supporting the dollar.

While the Fed is absent from dollar support efforts, there is some

scepticism that the US currency can hold stable. Concern about policy towards the dollar continues to undermine sentiment in both equity and bond markets.

US Treasury bonds turned lower yesterday as the equity market recovered some of Monday's losses. The Treasury's 8.75 per cent 30-year bond issued yesterday nearly 4 point lower at the end of the day, yielding 9.122 per cent.

Traders were cautious, partly because of volatility in the dollar and stock prices but also because of speculation that the Bundesbank may announce a cut in its discount rate on Thursday. The market is also awaiting the latest figures for US unemployment due to be released on Friday.

Yesterday's news of a 0.2 per cent fall in US leading indicators in October was close to forecasts and had little lasting impact although the dollar and bond prices seemed to dip briefly after the release.

There is a high degree of uncertainty about near-term prospects for equities although the market's resilience on Monday to a fall much below the 1,800 level has inspired some confidence.

Ms Gail Dudak, technical analyst at Warburg Securities in New

York, believes the equity market is gradually regaining its health. She argues that, in the longer-term, the market would benefit from a further fall in values which would provide a stronger technical basis for a more lasting recovery.

IBM had recovered 5% to \$111 1/4 by mid-session, recouping a small portion of Monday's 3 1/2% fall and Procter and Gamble was up 5% at \$81 1/4 after a 3 1/2% decline on Monday.

Merck, which announced earlier this week it was selling its South African unit to Barlow Rand Ltd, was trading ex dividend, down 5% at \$168 1/4.

Canada

STRONG GAINS in gold and mines took stocks in Toronto higher, although mixed performance by banks and industrials helped to limit gains.

Gold advanced a broad advance, with Lac Minerals rising 3% to C\$13 1/2, International Corona gaining C\$1 to C\$58 1/2, Echo Bay moving ahead C\$1 1/2 to C\$39 1/2 and Giant Yellowknife rising C\$1 1/2 to C\$24 1/2.

Energy issues were mixed.

Sydney left in dark by computer failure

By Chris Sharwell in Sydney

AUSTRALIAN stock markets were hit by a crash of a different kind yesterday when the computer system showing the exchange's transactions failed, leaving investors and brokers "blind" for most of the trading session.

The incident happened on a day when the markets were awash with rumours of a possible takeover bid for Elders Ltd, the brewing and agribusiness group, by Broken Hill Proprietary (BHP), Australia's largest company.

At the same time there were suggestions that Mr Robert Holmes a Court's Bell Group had sold its 16.6 per cent holding in Elders Concrete Services, which on Monday picked up a large stake in a resource company from the troubled Arlindo group.

The rumours all pointed to early resolution of the complicated triangular relationship between BHP, Elders and Bell, which currently dominates market thinking.

As matters transpired, none of the talk was borne out. Elders, questioned by the Adelaide Stock Exchange, said it had received no notice or information which would substantiate the rumours.

BHP, too, said it was unaware of any takeover efforts relating to Elders. Elders was nonetheless one of the most heavily traded shares, with 3.4m changing hands. Its share price rose against the trend, gaining 20 cents to finish at A\$34 1/2.

BHP rallied from a poor early performance to finish just 2 cents lower at A\$7 as more than 1m shares changed hands. Bell Group lost 10 cents to A\$1 90.

Once the computer recovered late in the trading day, it was clear that the market had mostly followed the weakening trend displayed by New York and London the day before, though some hope was clearly seen if the hardware had been working.

The All-Ordinaries index, covering 325 stocks across all sectors, fell 2.5 points to 1,344.5. But only 74m shares were traded in one of the thinnest days since the market collapse last month.

The decline was also the first reverse in 10 days, although the market is still well clear of the post-crash low point of 1,180.5, reached on November 11. Shares hit their peak on September 21, reaching 2,305.5.

Elsewhere in industrials, News Corp fell 20 cents to A\$10.30 after hitting a low of A\$10. At Aspac, shares were off 10 cents to A\$4.40 and FAI also shed 10 cents to A\$5.60, while Westpac ended 15 cents easier at A\$4.60.

Mining stocks gave a mixed performance, with some gains showing gains thanks to the firmer bullion price.

Among property shares, Sun Hung Kai Properties fell 5 cents to HK\$38.25 and Hongkong Land lost 25 cents to HK\$9.95.

Commercial and industrial issues were modestly lower.

Singapore

SELLING, notably by foreign investors, continued to drag share prices sharply lower as the market remained bearish, taking little heart from Tokyo's late rise or signs of stability in the dollar.

The Straits Times industrial index lost 20.75 to 779.26, its lowest level since Black Monday, in lacklustre trading.

Blue chips and quality stocks were big losers, some posting double-digit falls. JC Enterprises closed 34.08 lower at S\$23.61, on a volume of 56,470 shares, up 21.63m shares from the previous day.

On the Osaka Securities Exchange, the OSE stock average closed 34.08 lower at S\$23.61, on a volume of 56,470 shares, up 21.63m shares from the previous day.

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Banks' action provides mild boost

CENTRAL BANK intervention to support the dollar provided some welcome relief in Europe yesterday although the mood remained wary and trading very thin.

FINANCIAL markets strongly reacted to the dollar and the West German Government's moves to boost economic growth. But a lack of follow-through buying left the market off its highs in uncertain trading.

The Commerzbank index showed a mid-session gain of 3.1 to 1,355.7 and the Boersen-Zeitung index at the close was 1.99 higher at 277.

The mid gains were also attributed to optimism that the Bundesbank would cut the discount rate at its meeting tomorrow.

Blue chip exporters benefited from the stimulus of the dollar, with electronics stock Siemens adding DM1.50 to DM274, while Daimler put on DM5.50 to DM628.50 and BMW rose DM10.50 to DM425.50 in the car sector.

Banks were mostly firmer, with Commerzbank up DM2.50 to DM217.50 and Deutsche adding DM2 to DM227. However, Deutsche Bank shed DM7.50 to DM405.50 in advance of today's results.

Bonds were lower in quiet trading. The Bundesbank bought DM1.50 in 10-year paper after selling DM10.50 on Monday.

The Association of German Bourses said share turnover was nearly halved in November after October's extreme volatility, falling to DM61.5bn from DM69.6bn the previous month.

Average daily share volume fell to the lowest level since the association began compiling statistics at the start of the year, dropping to DM2.6bn in November from DM4.4bn in October.

AMSTERDAM rose as the firmer dollar encouraged bargain-hunters to pick up selected out-price shares after recent falls.

The broad-based CBS tendency,

index rose 1.8, or 2.6 per cent, to 63.4 and the ANP-CBS index edged up 0.3 to 206.2.

In blue chips, Unilever closed up F1.1 at F1 59.80, while Philips rose F1 2.50 to F1 27.70 and Akzo advanced F1 3.50 to F1 55.50.

PARIS remained wary of the dollar's rocky climb which undermined a mid-session attempt to rally and left share prices lower at the close. The CAC index was down 4.1 at 285.3.

Leading blue chips were mostly lower, except Elf Aquitaine which gained FF11.50 to FF245 and Cie du Midi which rose FF14 to FF324.

Paribas was down FF8 to FF338.50 and Lafarge dropped FF12 to FF11.14.

ZURICH received a boost from European intervention to support the dollar, lifting share prices after a weak start. The Credit Suisse index added 3.8 to 494.7 as industrials and holdings picked up.

News that arms maker Oerlikon-Bueche won a big US order for its anti-aircraft system added to the positive market atmosphere. Trading in Bueche was suspended after the share advanced more than 10 per cent to SF11,500.

Among industrial blue chips, Jacobus-Buchard rose SF25 to SF7,950 and Sandos added SF600 to SF12,400.

REUSSELS slid to a low for the year as the cash market index dropped 7.55 to 3,685.86. Increasingly preoccupied with the forthcoming general elections, operators were hesitant to open fresh positions and turnover was slim.

In blue chips, Petrofina lost

BFr150 to BFr5,500 after a BFr240 fall the previous day, chemical Solvay dropped BFr300 to BFr9,500 and Gevaert fell BFr30 to BFr5,900.

Reserve, the share of Societe Generale de Belgique, rose BFr5 against the trend to close at BFr2,280.

STOCKHOLM had a day of see-saw trading which turned a firmer opening into a slightly lower close. Dollar uncertainties undermined early efforts to rally and the Affarsveerindex index slipped 0.1 per cent to 443.2.

Among blue chip engineering shares, Volvo rose SKr1 to SKr273, Ericsson fell SKr10 to SKr158 and Electrolux shed SKr3 to SKr201. Asea, a heavy engineering group, rose SKr2 to SKr254 and Scania-Scania added SKr5 to SKr10.

In the forestry sector, SCA declined SKr4 to SKr228, Stora moved down SKr1 to SKr258 and MoDo slipped SKr2 to SKr253.

OSLO turned mixed as the steeper dollar helped to allow gains about a drop in North Sea oil revenues. The all-share index inched up 0.80 to 261.79 in moderate trading.

Oils, heavy losers in recent sessions, climbed, with Saga Petroleum adding NKr3 to NKr34 while Norsk Hydro was unchanged at NKr138.

MILAN declined after Monday's fall on Wall Street sparked a broad sell-off.

The MIB index was down 1.9 per cent at 719 but most losses recovered in afternoon trading. Insurers and banking stocks saw the heaviest losses while blue chips were modestly lower.

MADRID fell back as the liveliest sector, banks, succumbed to heavy profit-taking after recent advances. The general index lost 4.75 to 811.54 in very thin trading.

HELSINKI slipped lower in dull trading. The Unibank all-share index dipped 0.6 per cent to 575.4.

EUROPE

London

UK equities moved erratically as the dollar wavered and firmed. The market started well as London anticipated a rally on Wall Street.

However, equities slipped towards the close, leaving the FT-SE 100 index with a net loss of 1.4 at 1,775.4.

index rose 1.8, or 2.6 per cent, to 63.4 and the ANP-CBS index edged up 0.3 to 206.2.

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In blue chips, Petrofina lost

SOUTH AFRICA

R5 to R297.

Mining financials followed the trend, with Anglo American off R2 R252.50 and De Beers down R2.50 to R252.50. Diamond stock De Beers was 75 cents easier at R20.75.

Industrials saw leader Barlow Rand off 25 cents at R21.25 and South African Breweries unchanged at R16.25.

Company Notices

African and European Investment Company Limited

(Incorporated in the Republic of South Africa)
Registration No. 01 02154/06

Preference dividend No. 79

On Tuesday, December 1 1987, the directors of the company declared the half-yearly dividend on the six per cent cumulative preference shares in respect of the six months ending December 31 1987, as follows:

Rate: 3 per cent
equal to (South African currency)
Last day to register for dividend (and for changes of address or dividend instructions): Friday, December 18 1987
Registers closed from (to inclusive): Saturday, December 19 1987
Ex-dividend on Johannesburg and London stock exchanges: Monday, December 21 1987

Cash payment date for sterling payment to stockholders paid from London: Monday, December 21 1987
Dividend warrants posted: Monday, February 8 1988
Payment date of dividend: Monday, February 15 1988
Rate of non-resident shareholders' tax: 15 per cent
The full conditions relating to the dividend may be inspected at the Johannesburg and London offices of the company and its transfer secretaries.
By order of the board
Anglo American Corporation of South Africa Limited
Secretary: R.W. Moly
Divisional Secretary: Johannesburg
Head office: 44 Main Street, Johannesburg 2001
London office: 40 Holborn Viaduct, London EC1P 1AJ

Anglo American Investment Trust Limited

(Incorporated in the Republic of South Africa)
Registration No. 05 08031/06

Preference dividend No. 66

On Tuesday, December 1 1987, the directors of the company declared the half-yearly dividend on the six per cent cumulative preference shares in respect of the six months ending December 31 1987, as follows:

Rate: 3 per cent
equal to (South African currency)
Last day to register for dividend (and for changes of address or dividend instructions): Friday, December 18 1987
Registers closed from (to inclusive): Saturday, December 19 1987
Ex-dividend on Johannesburg and London stock exchanges: Monday, December 21 1987

Cash payment date for sterling payment to stockholders paid from London: Monday, December 21 1987
Dividend warrants posted: Monday, February 8 1988
Payment date of dividend: Monday, February 15 1988
Rate of non-resident shareholders' tax: 15 per cent
The full conditions relating to the dividend may be inspected at the Johannesburg and London offices of the company and its transfer secretaries.
By order of the board
Anglo American Corporation of South Africa Limited
Secretary: T.S. Johnson
Divisional Secretary: Johannesburg
Head office: 44 Main Street, Johannesburg 2001
London office: 40 Holborn Viaduct, London EC1P 1AJ

On Tuesday, December 1 1987, the directors of the company declared the half-yearly dividend on the six per cent cumulative preference shares in respect of the six months ending December 31 1987, as follows:

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By order of the board
Anglo American Corporation of South Africa Limited
Secretary: T.S. Johnson
Divisional Secretary: Johannesburg
Head office: 44 Main Street, Johannesburg 2001
London office: 40 Holborn Viaduct, London EC1P 1AJ

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SECTION III

FINANCIAL TIMES
SURVEY

Governing the country is a complex coalition including the King, former military chiefs and elected politicians

who have maintained a controlled if fractious democracy. Economically, Thailand is on a steady path of growth but much depends on a world-wide recession being avoided, says Stewart Dalby

Treading the right path

WHEN KING Bhumibol Adulyadej starts his 60th birthday celebrations in a few days' time, he will be able to reflect that rarely in his long reign of more than 40 years can the monarchy have seemed so secure, his country of 65 million subjects so politically stable and apparently so economically flourishing.

The Government has had the same Prime Minister in Mr Prem Tinsulanonda for almost eight years. Like so many of his predecessors he is an ex-General. The military have run Thailand for most of the period since the absolute monarchy was ended in 1932 although there have been short periods of civilian rule.

During this time the military have had nine successful coups against one another and numerous unsuccessful ones. A major difference between Mr Prem's stewardship and those that went before is that it is linked to a controlled if fractious democracy. The lower house of the National Assembly is elected in relatively free polls, although the widespread practice of vote buying at elections makes them expensive for the politicians.

While the franchise is not as broad as might be found in some

western European countries, it nevertheless seems representative enough, for the present at least, to keep important political groups like the large student body, who have been catalysts of change in the past, off the streets.

Equally important, this complex coalition which includes the King, former military men and elected politicians seems to have found the right formula for keeping the active military in their barracks.

Economically, the country is likely to achieve a GDP growth of 7 per cent this year, and seems set fair, if there is no severe world wide recession, to maintain this kind of performance until the end of the decade.

Thais now have a per capita income of \$900, still only half of what it is in neighbouring Malaysia and only one seventh of that in Singapore. Nevertheless it is growing rapidly and moreover the figures mask some wide regional discrepancies.

This economic buoyancy has been fuelled by a policy of export-led growth. The exports apart from tourism, which has long been a money spinner, are

mostly in light manufactures. Over 50 per cent of the country's exports are now manufactured goods, whereas a few years ago 80 per cent of export earnings came from a few primary commodities like rice, rubber and tin.

The visitor to Thailand is constantly being regaled with success stories of manufactured exports or value added agri-industries.

Such has been the flow of investment into such concerns, not just locally but also from countries such as Japan, where companies have been driven offshore by the high price of the yen and protectionist fears, that Thailand is now being described as the next Taiwan.

With a gross national product of around \$46bn Thailand has some way to go before it catches

up with Taiwan or Korea. But some officials are convinced that their country will soon be recognised as the latest member of the newly industrialised country club.

It is all a sharp contrast to the situation just over 10 years ago. Then, Thailand had major communist insurgency in the north east of the country and it was being flooded with refugees as a result of the ending of the war in Indochina in 1975. These were pouring in not only over the land border with Kampuchea but also arriving by the boatload from Vietnam on the southern beaches.

It seemed possible that the victorious Vietnamese would sweep through Kampuchea and without pausing for breath brush aside the smaller, less well-equipped Thai army and overrun Bangkok. These fears though they might seem fanciful now were very real at the time.

The Vietnamese did later overrun Kampuchea, but they stopped at the Thai borders. A Vietnamese takeover of Thailand now seems almost inconceivable. The refugees have not all gone, but the incoming tide has receded.

In the mid-1970s, too, Thailand ran into economic problems. Some 80 per cent dependent on imports for its energy, the country was hit hard by the first oil shock of 1973-74. This together with the declining prices for its commodity exports meant a balance of payments problem developed, and for the first time in its modern history Thailand began to get heavily into debt.

In turning the situation around, the Thais as so often in

their history have had a certain amount of luck. The civilian government of 1973-76 decided at the tail end of its chaotic period of rule to ask the US to remove its bases. It seemed foolhardy at the time, but subsequently proved a shrewd move in that it helped smooth relations with China.

However, it has been the establishment of political stability, and the apparent durability of Mr Prem's premiership, which has laid the foundations for Thailand's economic boom.

The private sector in general, and the Chinese business class in particular, have been able to capitalise on this stability in building up light industry. The Thais have been particularly good in assimilating their Chinese minority. They are allowed full citizenship rights, and often have Thai

Economy: in the fast lane for growth
Foreign investment: skilled labour among attractions
Banking and finance: capital market inadequate for growing manufacturing sector
Stock Exchange: no longer isolated

Politics: stability under watchful eye of military
Foreign policy: unease over Soviet moves
Privatisation: former political will needed

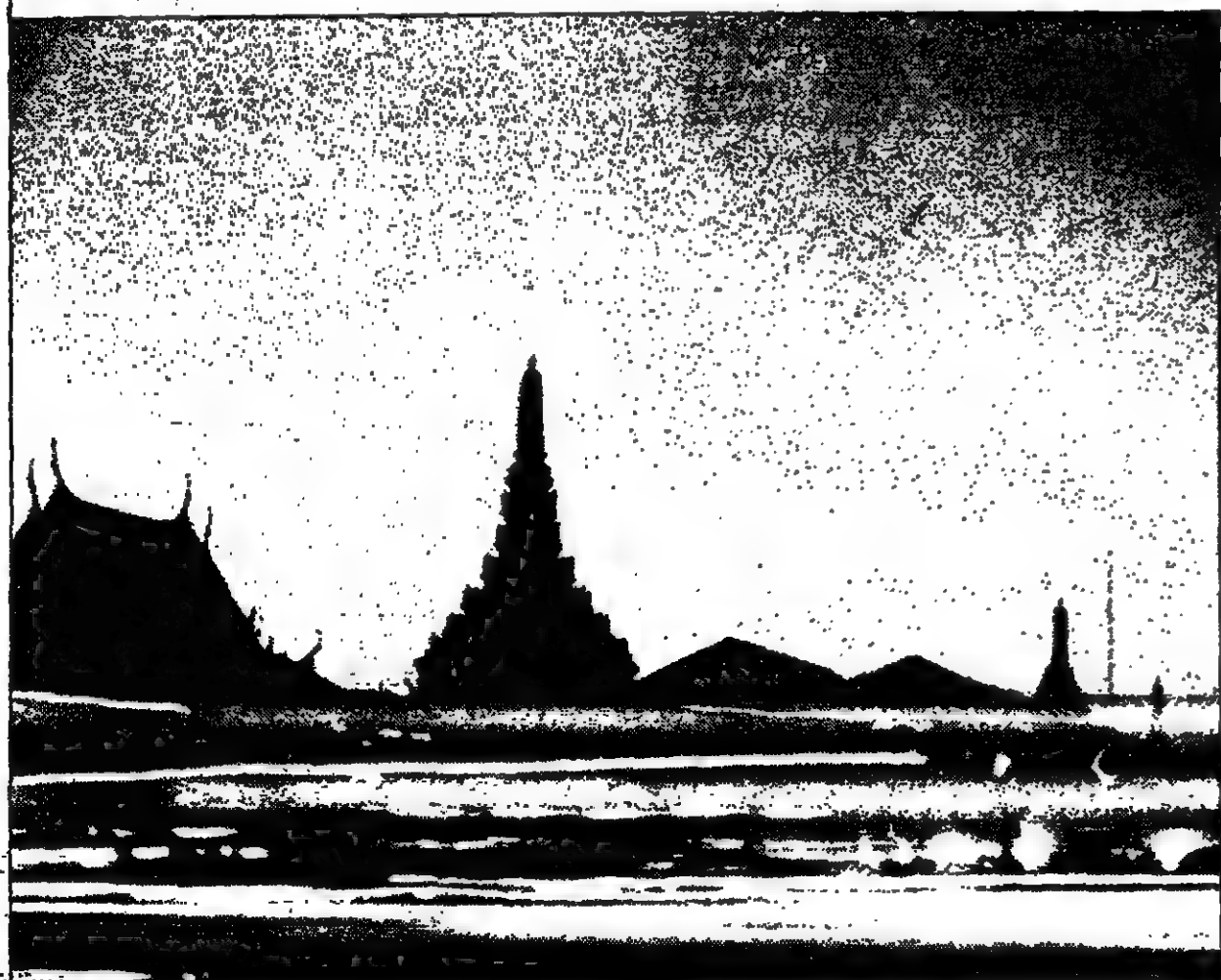
The regions: luring private investors with more incentives
Agriculture: more diversification towards agri-industries
Business Guide: availability of hotels can be a problem
Suk industry: tribute to mystery man who loved Thai art

Tourism: ancient and modern provide a stimulating mixture



Thailand

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HEAD OFFICE: 333 SILKOM RD., P.O. BOX 15 BANGKOK 10000, THAILAND. TEL: 234-3333 TELEX: 82038, 82039, 72011 BK BKH TH. BRANCHES: HONG KONG, JAKARTA, KUALA LUMPUR, SINGAPORE, TAIPEI, TOKYO, OSAKA, HAMBURG, LONDON, LOS ANGELES, NEW YORK. REPRESENTATIVE OFFICE BEIJING.

ON DECEMBER 5TH THE PEOPLE OF THAILAND SALUTE A DEDICATED KING

ON DECEMBER 5TH, 1987, HIS MAJESTY KING BHUMIBOL ADULYADEJ, ninth monarch of the Chakri Dynasty, celebrates the achievement of the fifth cycle; his 60th birthday.

In Thailand, life is measured in cycles of twelve years. The completion of each cycle is a significant step in a man's life. It means development and change. Fortunes may improve, or worsen. Personality and outlook on life are different. Each cycle is a "coming of age."

However, the fifth cycle is the most important of all. At sixty, man is mature, wise and knowing. Experience has made him complete. Thus, completion of the fifth cycle is a time for celebration:

When a King achieves this momentous step, an entire nation celebrates. And in the case of King Bhumibol, the joy is genuine indeed.

Since the beginning of the Chakri Dynasty, the monarchy has been benevolent and caring. Both a friend of the people and a figurehead.

King Bhumibol and his beautiful Queen, Sirikit, have carried on this tradition, regularly travelling throughout the country offering help and advice where it is most needed.

Thailand is still largely agricultural, and the climate

can be extreme, with monsoons and floods in some areas and drought in others. The King and Queen have initiated countless projects to speed the advance of technology. Dams and irrigation systems have been built under the King's guidance, while modern farming schemes have been introduced all over the country.

This ongoing relationship is conducted without fanfare. In fact, the King is likely to arrive on a remote farm for an informal get-together to see how things are progressing.

This extraordinary devotion to the well-being of his people has made King Bhumibol one of the most beloved monarchs in Thailand's history. His picture takes pride of place in practically every household in the land.

Next year, King Bhumibol becomes the longest reigning monarch of the Chakri Dynasty. He came to the throne in 1946, pledging to "reign with righteousness for the benefit and happiness of the Thai people." That, he has done, and continues to do.

On this momentous occasion, Thai Airways International join with all the Thai people in expressing their love and gratitude to King Bhumibol Adulyadej. May the completion of his fifth cycle bring His Majesty as much joy as he has brought to his people.



His Majesty King Bhumibol Adulyadej sharing advice with a group of his subjects.

A NATION CELEBRATES



THAILAND 4

Politics

Stability but military in firm control

YEARS OF intra-party bickering and changing coalitions since a form of democracy began in 1973 have led many Thais to view their country's parliamentary system with scepticism and the motives of those in government with suspicion.

Technocrats and businessmen are quick to point out that the renewed economic success, which has triggered a mood of confidence and optimism, has little to do with the Government and everything to do with private initiative. Furthermore the rapid economic growth that beckons, promising a bigger pie for all, is increasingly leading Thais to accept the political system as it is, wars and all.

The Thai formula is parliamentary democracy in name alone. Overshadowing the politicians is the powerful military which pervades all walks of business, bureaucratic and political life, maintaining a watchful eye on things like a Victorian governor.

Although the 347 members of the lower House are directly elected from a party slate, the Prime Minister for the last seven years, Mr Prem Tinsulanonda, is an unelected former general whom the four party coalition again called to office last July after they could not agree upon a leader among themselves.

Two of the five deputy prime ministers are former generals; the military through Gen Prem chooses the key cabinet posts; the appointed upper house has a blocking minority of former generals, former officers sit on boards of parastatal organisations and wise businessmen setting up new ventures will ensure military men have positions on the board.

Thailand's long history of military domination combined with the memory that unambiguous martial law only ended in 1973 means that everyone knows that nothing goes unless the military says it goes. It provides a form of controlled, though illiberal, stability.

The other foundations in the Thai political formula are the unchanging bureaucracy, which increasingly is run by top rate technocrats who hop in and out of the private sector, and the 60-year-old constitutional monarch, King Bhumibol Adulyadej.

Through untiring work on the military, the King is now revered throughout the country and he has built up the image of the monarchy as an institution interested in the welfare of ordinary people. Although he remains aloof from day to day politics, nothing important changes without the support of the military, a fact that appears to be recognised even by the military.

For example when in 1981 young officers led a coup, the King withdrew to a mountain retreat and withheld his support for their move. By comparison, the success of the 1978 coup, after three years of full-blown democracy had degenerated into virtual anarchy, was assured once the King had given his blessing.

Against this backdrop party politics is reduced to a competition between elite groups which have little or no difference in ideology whose primary interest is self-enrichment. Opposition to the staunchly capitalist model of development has dwindled from its heyday between 1973-76 with students now generally more conservative. Dissent, such as it is, is focused on a rear-guard action against capitalism's encroachment on traditional Buddhist culture and values.

Furthermore, radical opposition from the Communist Party of Thailand almost completely faded away when Chinese backing stopped after the Vietnamese invasion of neighbouring Kampuchea in 1975. It shows few signs of taking root again in the near future, especially as much improved roads have cut into former rebel strongholds and the communists also lost their havens in Kampuchea.

There is therefore a political stability that few with the ability to bring about change have any incentive to unsettle. 'Coups will come and go and governments will come and go but the lot of the ordinary man will stay the same,' said one political observer.

The Government is also trying to reduce its role in development and business affairs anyway. 'The role of government and the politicians is not to get in the way of the private sector,' Dr Olarn Chaiyaprasit, vice president

of the Siam Commercial Bank and former official at the Central Bank (the Bank of Thailand) says.

With the prospects for political stability rising, attention naturally turns to matters of succession. It is generally accepted, however, that in the short term, there will be more of the same. Any rocking of the boat will be considered bad form, and therefore bad politics, before mid-1988 when the King becomes the longest reigning monarch under the current Chakri Dynasty. Furthermore, elections, in which vote buying on a grand scale is the norm rather than the exception, are expensive and generally thought to be unwelcome at the moment.

Talk that General Prem will retire before his four year term expires in 1990 has receded in recent months partly because his most hotly tipped successor, General Chaovalit Yongchaitum, is not yet seen ready for the job.

As commander in chief of the army, Gen Chaovalit made his name as the mastermind of the amnesty programme for communist rebels and jungle fighters in 1979. He is the first of a post-World War II breed of modern officers who had first class civil, political and military education and has set the tone for military conduct by saying that coups are now a thing of the past.

He is also trying to mobilise the army for civic action projects



King Bhumibol Adulyadej with his uniformed son and heir, Crown Prince Maha Vajiralongkorn

of the Siam Commercial Bank and former official at the Central Bank (the Bank of Thailand) says.

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Richard Gourley

Foreign Policy

Watchful eye on USSR

THAI FOREIGN policy is ostensibly predicated on the ideal that one day south-east Asia will become a neutral area.

Thailand adheres to Zoppan, the pact signed by Asean (Association of Southeast Asian Nations) members in 1971 calling for a zone of peace freedom and neutrality in the region. Asean is made up of Thailand, the Philippines, Singapore, Malaysia, Indonesia and Brunei.

Similarly, Thailand has supported, in principle, plans which are occasionally ponderously discussed by the Asean bureaucracy to turn the region into a nuclear free zone. This would be modelled on what New Zealand has tried to establish in the South Pacific.

Not only would such a zone mean none of the Asean members could aspire to possess nuclear weapons, it would also forbid third country ships bearing nuclear weapons from calling at Asean ports.

Some Asean members might be able to cope with this, but it is hardly tenable for the Philippines which has a large US naval base at Subic Bay close to Manila, the capital.

Thailand, with its background of friendship and collaboration with the US particularly during the Vietnam war period would almost certainly balk at unilateral rejection of US warships. For the present, neutral zones nuclear or otherwise remain aspirations for the Thai.

In practice, Thailand remains solidly pro-western in its alignment, with particular affinities with the US. Although never a colony of any great power, Thailand developed close ties with the US in the late 1950s. This was the cold war era when in the aftermath of the Korean war, the US, fearful of possible Chinese expansion, set up a series of bases in the region under the umbrella of the South-east Asia Treaty Organisation (Seato).

The US involvement was augmented in the late 1960s and 1970s as their bases in Cam Ranh Bay in Vietnam and to a lesser extent in Kompong Som in Kampuchea. There really was no point to the Americans staying in Thailand after the Vietnam war ended. They had mostly left bases here, he said.

Thailand, for its part, reassured Mr Raul Manglapus, the Philippines Foreign Secretary when he made a recent visit to Bangkok, that it would vociferously support the view that the US bases in the Philippines should remain, at the next Asean summit in Manila in December.



Mrs Thatcher greets General Prem Tinsulanonda, Prime Minister of Thailand on a visit

Seato. The organisation may no longer exist for all practical purposes but Thailand still regards the treaty as valid.

"We must be realistic, he said, "while we would like to see Zoppan work, the timing is all important. For the moment the US must maintain a presence in the region to counter the growing Soviet involvement."

Western diplomatic observers point out that although Thailand is anxious for the US to remain in the region, it is happy for the Philippines to be the actual physical hosts and cope with the attendant political problems a foreign presence brings Thailand asked the US to withdraw its military facilities in 1976 in large part because the Americans were attracting discontent from various political factions in the country.

Dr Kantathi counters charges of disingenuousness, by saying that it is more strategically relevant for the Philippines to host the Americans.

"The Soviet threat is essentially a naval one at the moment," he said. "They are building up their bases in Cam Ranh Bay in Vietnam and to a lesser extent in Kompong Som in Kampuchea. There really was no point to the Americans staying in Thailand after the Vietnam war ended. They had mostly left bases here, he said."

Thailand, for its part, reassured Mr Raul Manglapus, the Philippines Foreign Secretary when he made a recent visit to Bangkok, that it would vociferously support the view that the US bases in the Philippines should remain, at the next Asean summit in Manila in December.

The Soviet build up in Vietnam is of long-term concern. The immediate focus of Thai anxiety, however, is the Soviet active support for Vietnam and in turn Vietnam's occupation, since 1979 of Kampuchea. This is perhaps understandable since it is Thailand more than most countries which has had to bear the brunt of refugees, not only those flooding over its borders from Kampuchea but also those arriving by boat on its southern coast from Vietnam.

The tide of boat people has receded in recent years, but there are still some 170,000 refugees in camps inside the country and an estimated 300,000 scattered along the eastern borders on the Kampuchean side of the border. It is because it wants to resolve the refugee problem as much as wanting to normalise relations with the Indo-chinese countries that Thailand has been concentrating its efforts to try to get some movement out of the Soviet Union on the Vietnam-Kampuchean question.

Thailand has been a member of the Security Council at the United Nations for the past two years and has tried to use this forum to address the Vietnam problem.

According to Dr Kantathi, the Thais were heartened by Mr Mikhail Gorbachev's Vladivostok speech of July 1986, particularly its allusions to openings towards the Far East.

"We have noticed differences in the Soviet approach to this region," he said. "They are trying new methods to promote their foreign policy. They have been

active on the cultural front. But we have not discerned any change in the substance of their policy on Kampuchea."

One of the diplomatic by-products of the Soviet involvement in Vietnam has been to draw Thailand closer to China. China's antipathy to both the Soviet Union and Vietnam has led it to support the Prince Norodom Sihanouk-led coalition of anti-Vietnam forces, just as does Thailand. Besides the Sihanoukists, this consists of the KPRLF of Mr Son Sann and the Khmer Rouge.

The only practical way China can make good this support in terms of arms and other assistance is through Thailand.

Although it is never admitted publicly the *quid pro quo* Thailand has demanded for allowing this traffic is the cessation of Sihanouk support for the communist insurgency in northeast Thailand.

Officially, the insurgency has faded away through a clever political hearts and minds campaign.

In practice, the Chinese, while letting it be known that other countries should not extrapolate from the Thai experience that Peking is ceasing support for revolutionary movements elsewhere, they have effectively put the Thai insurgency into limbo.

Thailand's policy has adopted its allusions to openings towards the Far East.

Stewart Dalby

Privatisation

Political will is lacking

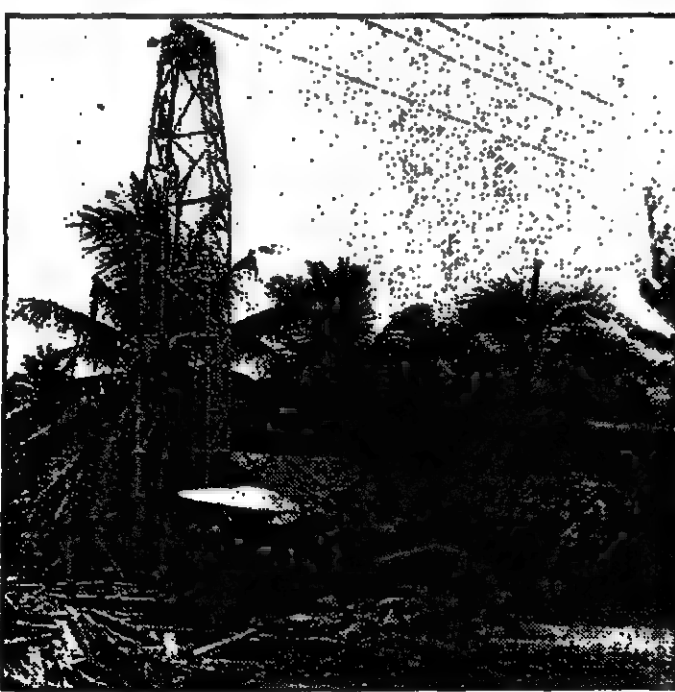
TALK OF privatisation rolls off official tongues with a Thatcherian ease in Thailand, befitting a government that has firmly pinned its colours to the non-interventionist mast.

In practice, however, the privatisation talk boils down to a declaration of government direction and a steady whittling away at the state's interference in private enterprise rather than any sweeping British Telecom style sell-off.

Privatisation in Thailand is more about raising efficiency than transfer of ownership, says Dr Phisit Pakkassam, deputy secretary general of the National Economic and Social Development Board which is the architect of the country's five year plans. He admits that privatisation of the two most valuable assets, Thai International Airways and the Electricity Generating Authority of Thailand is still a long way off.

There are now only 70 state enterprises, down from over one hundred in the 1950s, of which 47 are making money and ten are banks that are more or less commercial. Collectively all 70 have a return on assets of six per cent compared to nine per cent for the country's top 20 companies, Dr Phisit says. The loss-making companies include state railways, Bangkok's bus company and utilities where, particularly with water supply, the Government has made some progress towards market related pricing policies.

The second group of companies are those that were launched as pioneer industries soon after the Second World War to provide essentials like batteries and radio tubes and which subsequently spread their tentacles and today compete with the



Test drilling for oil and gas: more joint ventures

private sector. "The policy is to let these companies," says Dr Phisit, referring to the Japanese trees whose growth is deliberately stunted. The theory is to cut off their peripheral activities, starve them of soft loans and invite in private sector partners to take the whole venture private eventually.

Where there appears to be a real attempt to use the private sector is for new contracts. Private contractors are currently tendering to build and toll-operate a much needed second phase of the Bangkok expressway. And private contractors are to bid for

the contract to pipe gas for the Petroleum Authority of Thailand. Sometimes, as in the case of the National Petrochemical Corp's gas separation plant at Map Ta Phut, the Government is needed as the joint venture partner to take the whole venture private eventually.

The Government claims the intention is eventually to sell its holdings in these joint ventures. By international standards, Thailand has escaped excessive state intervention in industry, partly because the Government has largely avoided the trap of going for large-scale capital intensive development. World Bank studies show that Thailand is one of the world's countries least encroached upon by its government. An appalling record of tax collection in Thailand and the technocrats' healthy recognition of government limitations are likely to keep it that way.

The Government has, however, been accused of foot-dragging by some wealthy critics. Dr Olarn Chaiyaprasit, executive vice president of Siam Commercial Bank and a member of the National Committee on State Enterprises. "It is not going very fast," he said. "We don't even appoint directors of state enterprises."

The committee was set up in June partly to produce a white paper on what government policy should be on partial privatisation - full sales appear to be out of the question - but nothing has yet emerged.

The most obvious target for sweeping privatisation is the extremely profitable national

carrier, Thai International. It is 100 per cent owned by the state, pays no dividends to the Government in order to allow the maximum growth from internal resources. It made a net post tax profit of \$30m from turnover of \$1.2bn in 1986 and makes merchant bankers drool at the thought of how easy it would be to sell internationally.

Technocrats who are also trying to build up the country's infant capital markets and strengthen corporate financial structure point out that the airline made interest payments of over \$150m last year. It seems to make little sense that a highly profitable airline like Thai is expanding its fleet by using debt rather than expanding its capital base.

The airline, however, always seems to be an elusive 'couple of years' or a 'further study' away from cutting its umbilical cord with the state. A joint Thai International and finance ministry committee last month determined that there will be no need for even partial privatisation for the next two years.

The picture appears to be similar at the Electricity Generating Authority of Thailand, with the added complication that the trade unions - which are only strong in Thailand in the public sector - are proving difficult to persuade of the benefits of going private. The Telephone Organisation of Thailand, which is in need of a capital boost to finance badly needed improvements in its service is an obvious prospect for partial privatisation but again there has been no action.

There are some problems for Thailand's underdeveloped capital markets to swallow in one bite, although it is hard to see why a small percentage could not be floated on the market which now has a capitalisation of around \$5bn. But the biggest block to privatisation, however, appears to be the vested interest.

Directors of the state corporations are cabinet appointments, often retired or active military officers and retired civil servants. These posts are the perks and pickings of public service and they were launched in the last seven years, a political stability that has been unknown in the country's recent history.

Perhaps because of this balance, privatisation is not high on Prime Minister Prem Tinsulanonda's priority list. Some Thai commentators put it more bluntly. "Privatisation is fashionable but there is no political will," says Mr Phiphat Thairay, the director of the Public Enterprises Institute, who nevertheless says there is a bright future for new joint ventures with the Government.

Richard Gourley

ANYBODY WHO has spent a day in Bangkok could well have spent half of it in traffic. The clogged streets of the nation's bustling capital support the saying that on the one hand there is Bangkok and on the other, Thailand. Economic development has hit confident, frenetic Bangkok with a vengeance. It is a long way from spreading throughout the country.

Ensuring the expected fruits of Thailand's 'golden economic age' do not pass by the 55 per cent of the working population who still live from agriculture is a major challenge facing Thailand today.

Official figures show that 30 per cent of the gross domestic product is produced in Bangkok where 15 per cent of the country's 55 million people live. A national per capita GDP of around \$900 hides disparities between Bangkok where per capita income is around \$2,500 and the backward north-east bordering Kampuchea and Laos where it is around \$300.

The Government has recognised the problem. But it is clearly laid out in the sixth economic development plan which runs till 1991 that the private sector will have to provide the engine for development and not government.

"Regionalisation is in the forefront of our thinking," says Mr Mechai Viravaidya, speaking for Prime Minister Prem Tinsulanonda, who is also a leading figure involved with rural development. "Investment will be made more attractive but government's role is only to facilitate."

Companies investing in priority areas - a wide range of activities from rabbit raising and exporting to electronic component assembly and re-export - which locate outside metropolitan Bangkok are granted tax holidays of eight years rather than three years in Bangkok. Other incentives for investment promotion zones, mostly tax breaks, are equally generous but the Government recognises it can not force export companies to move to the underdeveloped hinterland.

The Government has tried hardest to promote regionalisation in the Eastern Seaboard Development Zone, but it has not been the unqualified success that was supposed to catapult Thailand on to the path towards industrialisation.

The two zones, 80 to 120 miles south east of Bangkok, were supposed to host \$40m of investment when they were launched in 1981. Projects included a major industrial park, two ports, and what has now become the symbol of the zones' delayed take-off, a fertilizer plant at Map Ta Phut. This project is supposed to feed off the natural gas coming ashore from the Gulf of Thailand which is already supplying the stock for a gas separation plant.

Low international fertilizer prices and the cold feet of the Japanese backers makes the project's future bleak unless the Government steps in to support it. The 49 per cent government-owned gas separation plant,

The Regions
More incentives to attract private investor

Moss waterfall in Chiang Mai province: a local tourist attraction

National Petrochemical Corp. has spawned four downstream plants, one of which is a joint venture between BP and Siam Cement. Talk about a second petrochemical complex is still just talk, as neither private investors nor the Government has come out strongly in favour of the upstream facility although a number of applications have been made to the Board of Investments for downstream plants.

At Laem Chabang, closer to Bangkok, the industrial park is still basically a greenfield site. In October, however, a consortium of Thai, Japanese and Belgian companies led by the Thai group, Italian-Thai Ltd, signed a \$82m contract to build the country's first deep sea container and breakbulk port over four years

opment' for Bangkok and the countryside, urban suck will become stronger than it already is.

A large part of the Government's development programme is designed to halt this urban migration through the creation of jobs improving infrastructure during the non-harvesting months.

The emphasis is not on heavy government spending, however, but encouraging farmers to become mini-entrepreneurs who will diversify from staples into cash crops with the support of the Government's Bank for Agriculture and Agricultural Development. "We are trying to get these people to think more like businessmen," said Mr Mechai, business minister. "Bank of Thailand" officials say that despite the emphasis being given to the development of the regions, the budget has not risen.

But the poorest north-east region is likely to receive support from the highest quarter. Early this year, King Bhumibol Adulyadej while visiting the region endorsed a drive to develop the region more rapidly. The budget for the region is likely to rise next year, according to central bank director, Mr Siri Ganjaradee, and the army's commander in chief, Gen Chaovalit Yongchaitum, who has one eye on his political future has adopted the region and launched a much trumpeted 'greening' programme.

It is a departure from the norm. Chiang Mai province's governor, Dr Paitat Decharin, says his role as the appointed representative of the central government is to encourage private businessmen. "This is no problem for Chiang Mai, Thailand's tiny second city, where the canny businessmen have turned the once sleepy town into a bustling centre, capitalising as much on the tourists' need to get out of Bangkok as on its long history and the local attractions."

Dr Paitat had a tougher task as governor of Chaiyaphum province. Here he ranked among his achievements encouraging the production of pomelos for export and the development of a commercial bird sanctuary.

There are serious doubts however, whether or not the private sector alone will be able to respond to Bangkok's urgent needs. The contract for an extension of the urban expressway is currently out to tender and will be built and run by a private company. It is hardly the answer.

Like many piecemeal improvements in urban transport, it may end up by simply getting the capital's traffic to the next jam more quickly. The comprehensive overhaul mass transit network, which would make the biggest impact on the problem, is still little more than a perennial study, partly because of Bangkok's urban sprawl which will make it extremely expensive.

Richard Gourley

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Agriculture

Rice is top food export

THAILAND'S agriculture, which still accounts for 40 per cent of exports, 25 per cent of gross domestic product and 65 per cent of employment, would seem to be a continuous success story of diversification and innovation, in recent years.

In the 1960s and early 1970s, there was rice, rubber, tin and teak. Thailand made a comparatively good living for a third world country exporting its staples of these commodities. It came to be the world's largest exporter of rice in many years. Some 80 per cent of Thailand's export earnings came from agricultural products with the rest virtually all accounted for by tourism.

If prices weakened Thailand, which is not overendowed in terms of its resources and which, on the whole, has a benign climate for tropical agriculture, expanded volume by increasing the area under cultivation. Today some 70 per cent of the country is arable rice paddy. When the terms of trade began to deteriorate as commodity prices really started to decline, the country diversified into new crops.

The most resounding success was cassava or tapioca which the Thais sold to Europe. Export volume had reached 8m tonnes by 1980 and tapioca was vying with rice and tourism to become the country's largest export.

In 1981 however, the EC slapped a quota of 5m tonnes on imports of cassava from Thailand. The country can easily meet this as it uses very little cassava itself even for animal feed. In Europe it is mixed with soy beans to get the protein content up and used as cheap food substitute.

More recently still Thailand has diversified into and partially out of sugar. It has gone into fresh and tinned vegetables, as well as tinned fruits. Flowers are exported to the Netherlands. There are numerous value added products in fisheries.

The visitor to Thailand is constantly told that the country is the world's largest exporter of tinned pineapples.

The Thais have developed a flourishing trade with Japan in frozen chicken parts. They used to export whole chickens. Then they went into boneless chicken, now they export chicken parts, thus adding value all the time. The trade was worth some Baht 8m (\$200,000) last year and is growing rapidly.

A glance at the Ministry of Agriculture's handbook for 1986 shows that the largest single agricultural export was fisheries products. These produced Baht 24.6bn (\$600m) in export income compared with Baht 20bn (\$500m) for rice.

Prices for rice have been depressed in the past couple of years, volume has also been badly hit by the drought earlier this year.

It is also important, when making this kind of comparison, to take into account, an element of double accounting. The Ministry of Agriculture includes fish products and fruit and vegetable products as agricultural goods, whereas other departments clas-



Planting rice in a paddyfield

ify them as manufactures.

If value added products are included then agricultural exports account for 57.56 per cent of total exports. Primary agricultural goods account for just under 40 per cent of the export total.

All this said, however, the fisheries sector has performed impressively. Shrimp farming has become a growth industry as Japanese and Taiwanese concerns have come into Thailand to set up projects. Almost all the shrimps, tinned frozen or otherwise find their way back to Japan. Other marine products

farmed are cockles and mussels. To some extent the farming compensates for poor marine catches. These have been pretty static in recent years.

The country has also scored successes in labour intensive agri-industries. In the case of canned tuna, Thailand buys tuna from places as far away as Tonga and even the US. It processes and cans it then exports it back to places like the US.

There has been growth in fresh water fish farming with species like cat-fish, perch eels and carp being developed. Often these are for the domestic market. Since fish farming turns out a fraction of what is being produced in Taiwan, the potential is obviously great.

In crops such as rubber, Thailand has boosted output significantly through a radical replanting programme. Unusually there are no great corporate holdings in rubber in Thailand. Most holdings are smallholdings. Under the auspices of the World Bank and others Thailand back in the late 1970s underwent a replanting programme in the south of the country, which meant much higher yielding, quicker-growing trees. The result has been a sharp

jump in output.

Between 1981 and 1986 output increased from 470,000 tonnes to 760,000 tonnes. In 1986 rubber exports earned Baht 1.7bn (\$400m) making rubber the fourth largest export. Thailand still only accounts for a small percentage of world output so there is scope for increases, as there is for other tree crops like palm oil. Cotton is another crop which has flourished because of the growing textile industry.

The overall picture is, therefore, one of enterprising diversification and a constant ability to surprise with new products. At the same time Thailand has allowed older, less remunerative commodities like tin to go into decline. There is, nevertheless, concern that the heart of Thailand's agriculture - rice production - is too inefficient.

As a socio-economic system, Thailand's farming methods have much to recommend them. Most of the land is owned by the farmers themselves, there is very little tenanted land. The average holding is 21 rai (one rai equals 0.395 of an acre). As with rubber there are hardly any vast corporate holdings. As a result there is no great landless peasantry looking for work in the cities.

Nor are the farmers exploited by unscrupulous middlemen apparently. Rice marketing is done by Chinese entrepreneurs according to Dr Robert Ralston, an adviser at the Ministry of Agriculture. "Thailand looks like an oligopoly but works more like a free enterprise system," he says. "In the States it seems like a free enterprise system but works like an oligopoly. There are perhaps 30 concerns here handling rice with possible ten doing most of the business. In the US there are

probably 12 companies handling rice marketing but probably only three do real business."

Dr Ralston estimates that the Thai farmer gets something like 70 per cent of the retail price of his rice. The yield from rice farming however is woefully low. The fact that 65 per cent of the workforce account for only 25 per cent of GDP suggest a rationalisation is necessary. Dr Ralston says the yield per hectare is 1.7 tonnes compared with a world average of 2.5 tonnes. It says a lot for Thailand's natural fertility that the Thais were able to expand into marginal land to get volume up. But that process is now at an end. Forested land has fallen from 50 per cent of cultivable land to some 26 per cent. A dangerously low level in terms of erosion let alone any ecological considerations.

Today 90 per cent of Thai paddy is still rainfed. That is to say only 10 per cent is irrigated by man-made means so there is virtually no double cropping. There was a large increase in the use of tractors early in the decade, but the process seems to have run aground through lack of organised financing by foreign companies concerned.

Thai rice farmers will avoid using fertilisers if possible, partly because the cost of inputs considerably during the 1970s, and partly because the natural fertility and adequate rainfall made it unnecessary.

In the past, Thai rice farmers, who produce the country's staple crop have taken a lot for granted. If however the country is to continue to diversify its agriculture and agri-industries and if it is to develop as a manufacturing nation, then rice farmers will have to produce more from the same land area and liberate vast numbers from the land now held down by out of date methods.

Stewart Dalby

Collector's haven

Loving tribute in the house on the Klong

TUCKED AWAY in the middle of the concrete and the clutter of modern Bangkok is a little oasis of tranquillity. It is both a taste of traditional Thailand and a shrine to the man who revitalised the Thai silk industry before mysteriously disappearing 20 years ago.

Jim Thompson's House, or "the house on the klong" as it is known to Thais, is a celebration of one man's love for the art, myths and religion of South East Asia. It is full of smiling Buddhas from neighbouring Cambodia, Anamese plates from Vietnam, snakes with protective powers and the religion of South East Asia. The value of the collection is unknown. But it is worth pondering how much priceless art was bought for a song and shipped out of the country by dealers less interested in Thai culture than Thompson.

Thompson's name would live on as a great Thai-ophile through his house, collection and contribution to the silk industry. But the way he disappeared in Malaysia adds a layer of intrigue to the man. The theories grew as fast as the jungle where he vanished.

So-called "reliable sources" said he had been spotted years later in Cambodia which the North Vietnamese were using as a haven for their drive against the South. This was never confirmed. Another theory was that he had an accident and that the search parties looking at the 70 square miles had simply not found him. He was however, used to jungle having trained extensively with the OSS in Sri Lanka before arriving in Thailand.

For every theory there was a plausible explanation why it should not be true. And no clues, no proof.

Last month a reunion of OSS veterans, some of whom had kept in touch with Thompson up to his disappearance revealed no new clues. None of them could take the story any further. Or maybe they could but wouldn't.

across the klong, Bangkok, which was one of the few communities still weaving silk that Thompson first introduced artificial dyes from Switzerland, replacing the vegetable dyes which quickly faded. More exciting - some would say gaudy - colours opened up export markets and has made silk production a lively cottage industry.

It also paid for Thompson's wanderings and collecting throughout the region. "He could not buy Buddhas from the temple so he bought them from traders who did not know their value," a guide at the museum said. The value of the collection is unknown. But it is worth pondering how much priceless art was bought for a song and shipped out of the country by dealers less interested in Thai culture than Thompson.

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Richard Gourlay

Major exports

Year	1981	1982	1983	1984	1985	1986
1. Rice	18,367	20,671	25,050	27,317	25,332	23,575
2. Tinned	21,456	22,504	20,157	25,332	25,332	23,575
3. Tapioca	10,446	10,669	15,267	13,555	13,555	12,523
4. Tinned Products	12,531	14,046	14,351	16,500	16,500	14,978
5. Rubber	10,840	12,533	11,757	12,004	12,004	12,567
6. Sugar	9,571	9,400	8,495	10,147	10,147	8,251

Source: Bank of Thailand
Tourism Authority of Thailand

Business Guide

Book ahead for hotels

"YOU CAN always tell when winter has arrived in Washington," a frustrated American diplomat moaned last month, "there's a sudden increase in official visits to Thailand."

Whatever else a business or official visit to Bangkok is - decidedly messy, clogged, with traffic, overcrowded and sticky hot - it is certainly no hardship.

Many aspects of working in Thailand are becoming easier as the Thais fine tune their natural hospitality. It starts at the newly rebuilt airport - now one of the quickest to negotiate anywhere. Visas are now no longer a problem - you can stay 90 days on a non-immigrant visa, 60 days on a tourist visa, and 15 days without a visa with a confirmed onward ticket.

There are no taxi drivers scrambling for your bags, so common elsewhere in Asia where eagerness usually has something to do with inflated prices. Most of the major hotels have someone to meet you: if you have not booked, the Thai Hotels Association has a stand with photographs of hotels and their facilities. The airport for you. Either way you will be scooped up, put in an airport limousine and whisked (for around \$12) to your hotel, or rather away from the airport along the expressway and into the traffic.

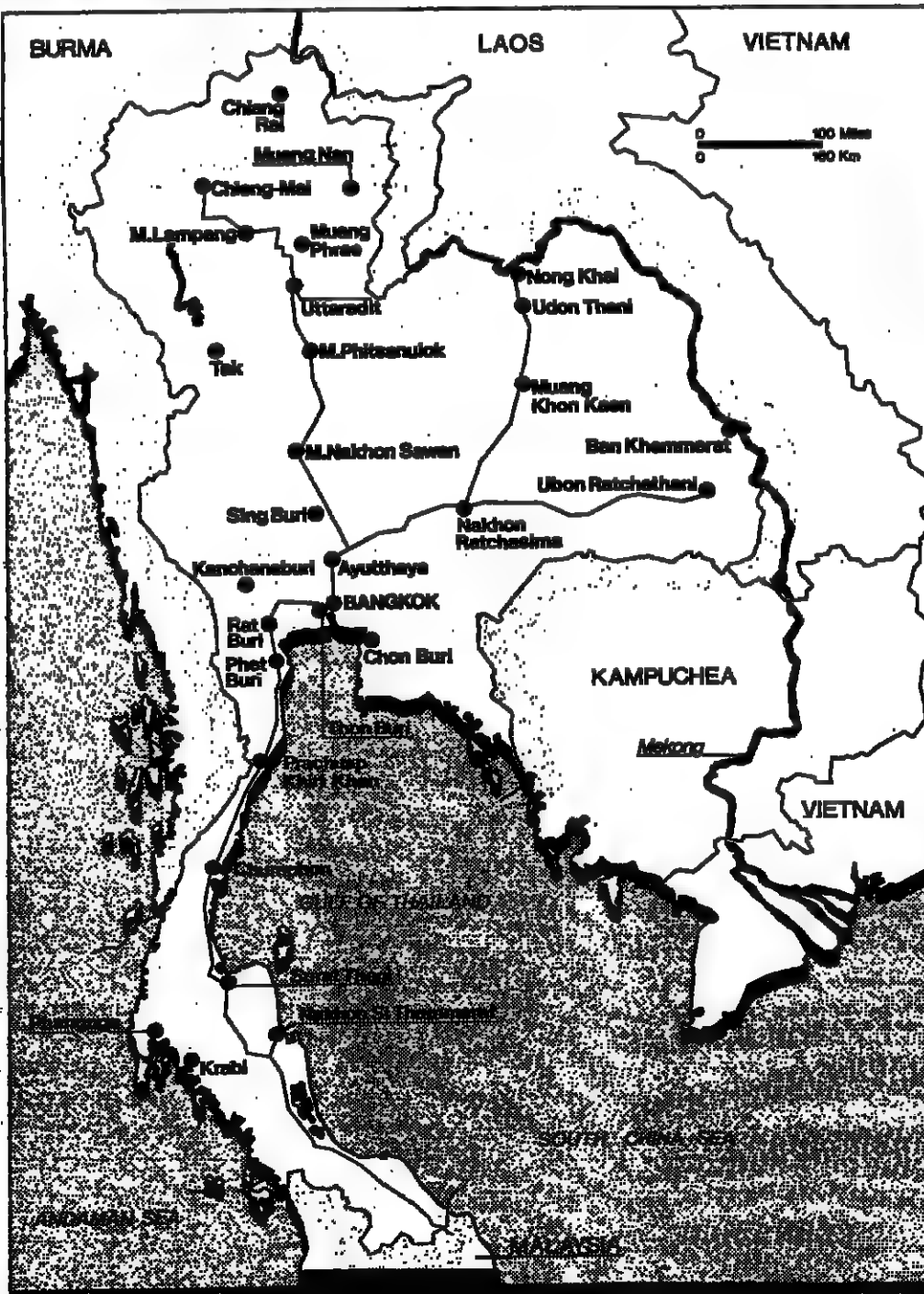
Bangkok's traffic should never be underestimated. There are normally gregarious residents who claim to choose their friends in Bangkok by where they live. It should be a factor in deciding where to stay. The famous Oriental and Royal Orchid hotels on the bustling Chao Phraya river are in a stunning setting but probably the wrong place to stay for getting about Bangkok.

Although nowhere is really the "right" place to stay as the city is such a sprawl, the Dusit Thani, Regent President or Hilton are probably better placed for banks, embassies, shops and offices. For early on late flights, there is an Airport Hotel within walking distance from the departures hall. All major hotels have excellent business centre facilities.

Five star hotel prices range from \$120 to a surprising \$1,550 a night for the residence used by another Joseph Conrad at the Oriental Hotel, or from \$80 for an ordinary room to \$170 for a suite at the Hilton. Food prices at the first class hotels, let alone elsewhere, are still surprisingly cheap as the Thai currency, the baht, is pegged to a basket roughly 80 per cent of which is made up of the US dollar. As the swarms of European tourists will attest, Thailand is a bargain for non-dollar earners. Last month, one dollar was worth roughly 25 baht.

Availability of hotels is, however, a major problem. Visit Thailand year has worked too well. It is unwise between November and February, the (relatively) cool season, though during the hot period (March to May and in the rains (June to October) the hotels offer heavy discounts to get the visitors through their doors.

As the number of visitors increases, more people are learning English and Japanese - Thai is a hopelessly difficult tonal language to learn. It is therefore



wise to ask hotel staff to write down for you in Thai your destination - street and office name - to show to taxi drivers.

Bargaining is a way of life and prices for taxis, tuk-tuks (the faster, cheaper but more poisonous three wheel transport that buzz noisily around town) should be agreed before the journey. Similarly bargain when taking advantage of the excellent shopping - whether it is for the genuine Bangkok copy gold Rolex for \$25 or for antiques - "let me take you to a village where I have them made."

If you like to eat French food while in Asia, the Normandy Grill at the top of the Oriental Hotel is sumptuous though the cost may give you indigestion. Of the many Thai restaurants, the Bussarakom in the Dusit Thani Hotel has a wonderful range of dishes and calming classical Thai music, while the Sala Rim Nam, across the river from the Oriental Hotel, from where it is reached, has as its centrepiece rather noisier classical Thai dancing.

Work itself in Bangkok, has become much easier in recent years, partly because of the stream of highly trained technicians who move in and out of business and the public service, many speaking excellent English and who are well versed in what businessmen want.

The Board of Investment for example is coming close to a one-stop-shop although some delays once applications for investment privileges are made take some of the gloss off the show. BCI can be contacted by telephone, Bangkok 270 1400, by telex TR 82542 or through overseas offices in New York (tel 4661746), Tokyo (582 1806), Frankfurt (281 091) and Sydney (278 905).

Telephone connections abroad are not perfect as there is an

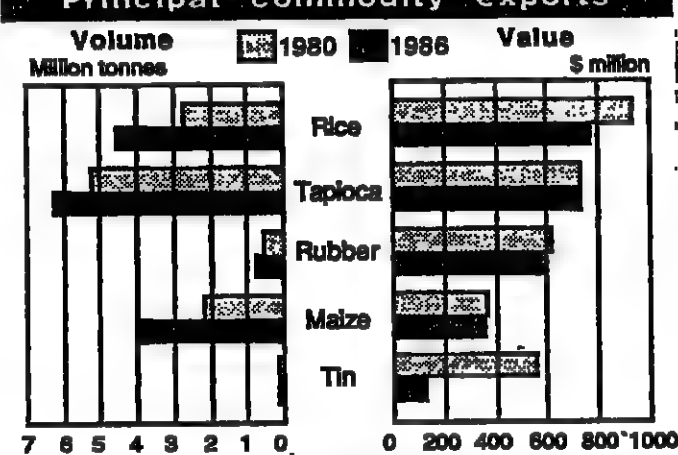
urgent need for an expansion of the network but delays in placing calls are manageable. Once lines are obtained fax and modern communication is no problem.

If flying by Thai Airways, the international carrier, for pleasure or business internally, be careful not to cut too fine the margin for connecting with international flights - the airline does not yet supply the most reliable service. Furthermore, the airline seems to be little concerned if connections are missed through its fault and make no effort to find accommodation.

Other useful telephone numbers: British Embassy: 253 0190; British Chamber of Commerce: 234 1140/8, ext 335; Thai International: 233 3810; British Airways: 236 8865; Oriental Hotel: 234 8821; Royal Orchid: 234 5595; Dusit Thani: 233 1190; Hilton 253 0123.

Richard Gourlay

Principal commodity exports



Source: Bank of Thailand

FINANCIAL TIMES SURVEYS

Listed below is a selection of Financial Times surveys planned for 1988. Please note the publication dates are subject to change at the discretion of the Editor.

- Conferences & Exhibitions - Wednesday 6 January
- Australia - 200 years - Tuesday 26 January
- FT First 100 years - Monday 15 February
- Financial Futures & Options - Thursday 10 March
- Tokyo Capital Markets - Tuesday 15 March
- Indonesia - Monday 21 March
- International Capital Markets - Monday 18 April
- World Banking - Tuesday 3 May
- Korea - Wednesday 11 May
- Foreign Exchange - Monday 6 June
- World Shipping & Ports - Tuesday 7 June
- US Finance & Investment - Monday 20 June
- Hong Kong - Monday 20 June
- New Zealand - Monday 27 June
- Corporate Finance - Monday 4 July
- Japan - Monday 11 July
- International Bourses - Wednesday 13 July
- Malaysia - DTBA July
- UK Banking - Monday 26 September
- India - Monday 3 October
- Conference & Incentive Travel - Tuesday 4 October
- Hong Kong as a Financial Centre - Monday 10 October
- Singapore - Tuesday 1 November
- Taiwan - Wednesday 16 November
- Business Travel - Monday 21 November
- Thailand - Monday 5 December
- Japanese Industry - Wednesday 7 December
- China - Monday 12 December

For more information on these surveys, please contact:

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FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

THAILAND 6



The Royal Palace, Bangkok

Photograph by Terry Kirk

Tourism

Vibrant mixture of the old and new

THAI AUTHORITIES have made 1987 Visit Thailand Year, with exhibitions and promotions in the main tourist markets and a series of special events culminating in the celebrations surrounding the King's birthday on December 5.

Anyone trying to find an empty hotel room, or book an internal flight to Chiang Mai, or Phuket or even secure a sleeping berth on a train, is probably wishing that the Thais had not bothered. The promotions seem to have succeeded well beyond expectations. So well, in fact that the authorities have extended Visit Thailand Year for another six months into 1988

when King Bhumibol Adulyadej will become the longest reigning monarch of the Chakri dynasty.

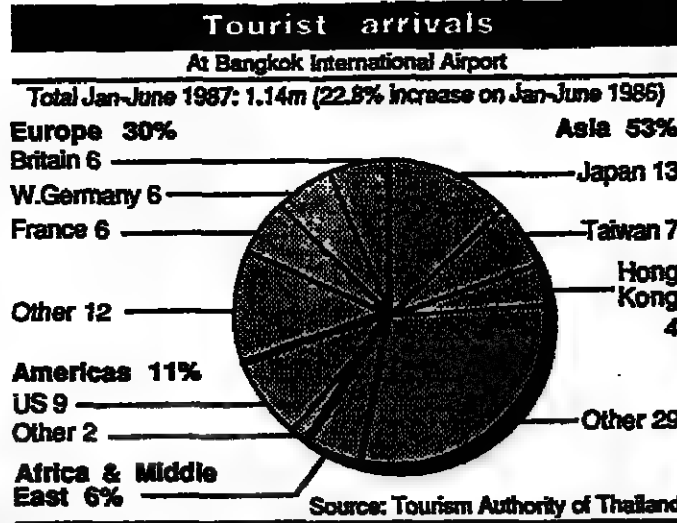
Last year Thailand had 2.8m foreign tourists. The Tourist Authority of Thailand (Tat) estimates arrivals have been growing by 20 per cent so that in this special year the total number of visitors should comfortably top the 3m mark.

Thailand's target in the sixth national development plan 1987-91, is for 3.7m tourists which will put the country almost equal with places like Hong Kong and Malaysia. The Tat accepts that arrivals might fall off after the Visit Thailand extravaganza but this is by no

means certain. For Thailand is the logical jumping off spot not only for South East Asia but also, after a break, for Australia or even Hong Kong or Japan.

Getting to Thailand from Western Europe is a relatively painless 17 hour flight with two stops, although some airlines can do the trip from Britain in just over 18 hours non-stop. Something like 40 international airlines now fly into Bangkok.

The entry requirements for Thailand have been greatly simplified so that a visa is not required providing there is an onward ticket. The airport is at Don Muang some 25 kilometres to the north of Bangkok.



Once in Bangkok it is usually easy to visit Burma for seven days on a tourist visa, or take the train slowly down to Kuala Lumpur and Singapore possibly taking in the beautiful Thai islands of Phuket or Ko Samui on the way. Or alternatively stopping at the Malaysian island of Penang and then striking out for Indonesia by way of Medan.

The Tat feels, though there is plenty for the tourist to do in Thailand itself. The country does seem to have everything: ancient buildings and sites, beautiful, relatively pollution free beaches in the south, and jungles in the deep south and the north.

The country is run by the military with a controlled democracy. There is little terrorism and very little crime against foreigners.

Getting around Bangkok is trying, the city is badly congested, the traffic is appalling. But there is plenty to see and do. There are marvellous restaurants, good hotels, wonderful shopping, lots of temples to see, and Klongs (rivers) to take boat rides on, and of course there is the sex.

Bangkok became known as the sex capital of the world when the US GIs started visiting in the 1960s for rest and recreation from the Vietnam war. Ever since then there have been thousands of prostitutes of both sexes and any number of sex shows ranging from the tame to the very explicit. Last year some 70 per cent of visitors to Bangkok were male, including a large contingent, apparently from the Middle East.

The advent of Aids has changed everything. The Thais are attempting to play down Aids. There are no official figures on the numbers of victims.

Hoteliers in Pattaya, the gaudy tourist resort on the eastern seaboard which used to be nicknamed Sodom and Gomorrah, are now placing advertisements in newspapers saying "No cases of Aids here."

It has become noticeable that a number of well-known massage parlours have started putting up signs saying no caucasians allowed. The police have started to try and clean up the main strip in Bangkok, Patpong, by banning totally nude dancing in the grille bars. The authorities are trying now to promote Thailand as a centre for family holidays.

Chiang Mai the hill town, in the north of the country is a place where children ride on elephants look at crocodiles in the zoo, visit the hill tribes or buy handicrafts or silver jewellery in the night market.

In Bangkok, a visit to Jim Thompson's house, which is a museum is obligatory as is a trip to his shop to buy silk. Jim Thompson was the American who in the 1950s almost reinvented the ancient Thai silk industry. It was noticeable on this recent visit to Pattaya for the easy sailing there just how many family groups there were on package tours, particularly from Germany and France.

The Thais have a great interest in promoting their country as a wholesome tourist centre because the revenue is very important to them. This year the Thais will make close to baht 40bn (\$1bn) from tourism, not including the money earned by the national state-owned carrier, Thai Airways. This means tourism will have earned something like the equivalent of 15 per cent of visible exports, and means it would again vie with manufactured goods as the country's largest single export.

The Thais want to get visitors to stay longer and therefore spend more. At the moment the average stay is 5.55 days. The longest stayers are the Swiss, who stay an average of 10.69 days when they visit, but do not spend very much. The biggest spenders are Middle East visitors who stay 9.26 days and spend \$185.55 each. The Japanese stay



The famous floating market

only 3.8 days but they spend a lot - \$101 per person. The largest group overall is from Asia and the Pacific with 1.8m visitors in 1986. Europe is a long way behind with 455,000 visitors and North America third with 180,742.

The Tat says it does not have to increase the number of hotels. There are nearly 20 hotels in Bangkok which would qualify as first class with dozens of hotels of lesser class. There are probably 20,000 beds in Bangkok and maybe 8,000 in Phuket.

The experience of myself and colleagues recently in obtaining

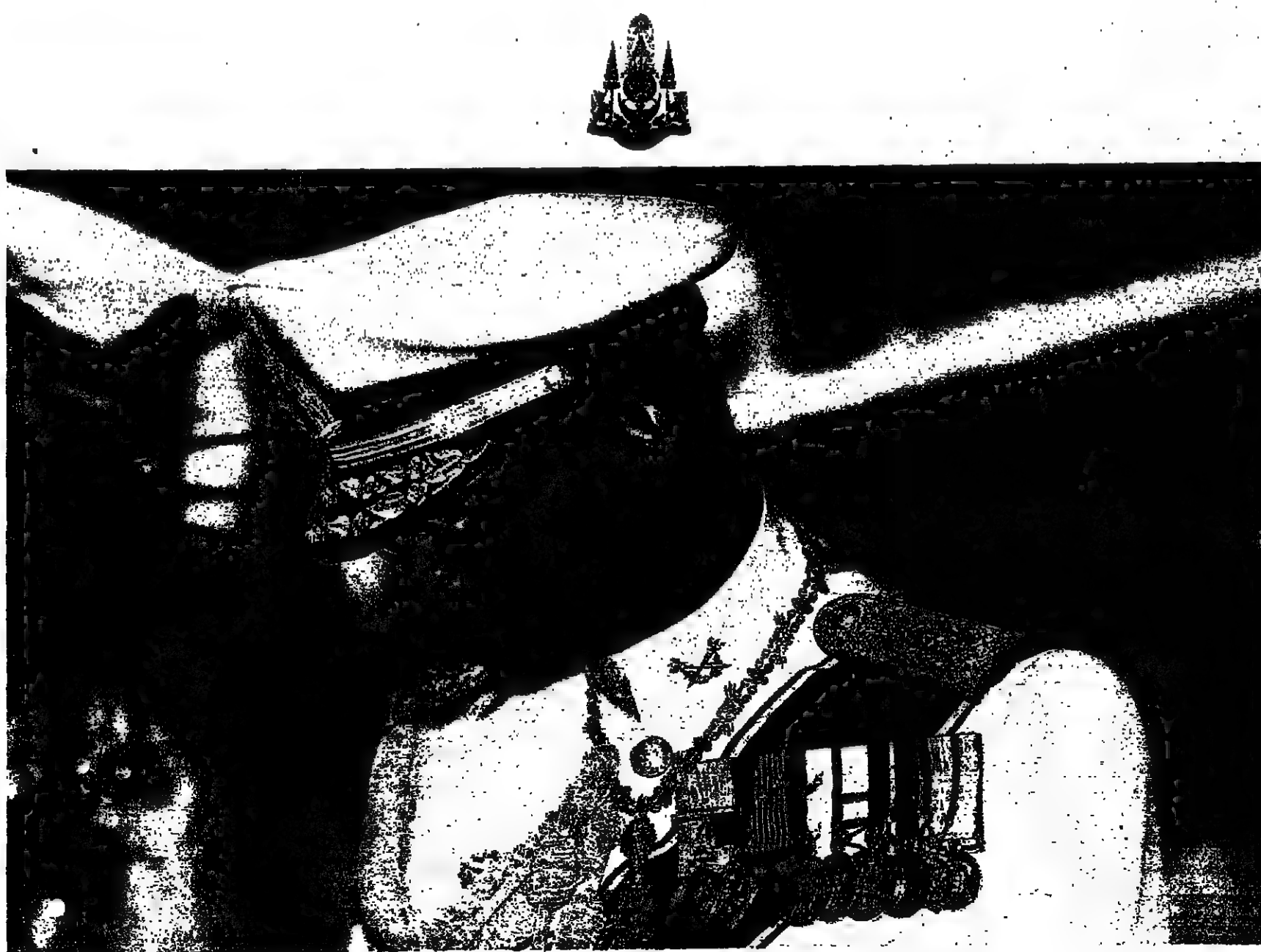
hotels rooms was probably untypical in that it is now the beginning of the cool season, which lasts from November to February. This is the period of greatest demand. On a visit here last February at the end of the cool season I was offered a number of rooms at a good discount.

In the hot season between March and May, Bangkok in particular is insufferably humid and sticky and there is little pressure on rooms. The wet season from the end of May until October is cloudy and damp with little continuous sunshine although it is not cold.

The Thais may well have to do something about their internal travel services if they want visitors to stay longer, and if they are to develop as a conference centre. The internal flights do not seem to be co-ordinated with the international ones. Booking is difficult and seats hard to come by, as with the trains.

Improvements here will undoubtedly come, given the importance of continued growth in the industry.

Stewart Dalby



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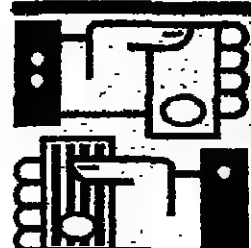
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SECTION IV

FINANCIAL TIMES SURVEY



Four years of headlong change have put the banks and institutions into a less certain environment. The

banks' move into the private sector reflects a shift in French attitudes to profit and enterprise, as George Graham reports.

Asking hard questions

CAUGHT BETWEEN a tumbling stock market and a presidential election, France's banks and financial institutions are asking themselves a lot of hard questions about where they should go next.

After four years of headlong change in the structure and regulation of their traditional lending market, and an even more spectacular mushrooming of financial market activity, the banks must now cope with a less certain environment in which profits growth will be harder to maintain.

Net earnings for the entire French banking sector, excluding mutuals and co-operatives, more than doubled between 1984 and 1986 to FF11.5bn. This year promises at best slower growth for most banks, and a decline in profits for many.

Doubts over the outcome of next spring's presidential election make the choices harder.

The largest banks will have to answer for their decisions to a new master: no longer the state, which gave them no fresh capital while in return asking little in the way of dividend, but millions of small shareholders.

Société Générale, the country's fourth largest banking group, has already returned to the private sector after 40 years under

the state's wing. It is due to be joined eventually by its main rivals, Banque Nationale de Paris and Crédit Lyonnais, and the big three state insurance groups also want more or less eagerly for the call.

Other financial groups nationalised by the Socialist Government in 1982 have also been privatised - Paribas and Soes in the investment banking sector, Crédit Commercial de France and Sogeval among the commercial banks.

The success of the privatisation programme in its early stages added a political dimension to the revolution in the financial markets. The first 10 privatisation operations, which raised a net FF61.5bn for the Government, garnered a total of 15m individual applications in France.

The country now boasts an estimated 6m direct shareholders - many of them voters - who are sensitised to the recent turbulence of the stock market.

If confirmation were needed that the privatisation programme has lost its momentum, it came when shares in Soes, the 11th company to be floated, opened at an 18 per cent discount to the offer price.

The move of the banks into the private sector, paralleling a

more abstract shift in French attitudes to profit and enterprise, entails a change in the banks' attention to the bottom line.

"The banks used to function as an administration, without paying proper attention to profitability. Now they have become more and more business-minded," says Mr Daniel Lebeque, who presided over much of the spring-cleaning of the French financial markets as head of the Treasury, and who moved in September to become joint managing director of BNP.

"The banking sector was protected and cartelised, but those practices are disappearing and competition is coming into play."

The changes in attitude have appeared to come naturally to many banking executives, and also to a steady stream of

high-flying officials who are leaving the civil service at ever earlier ages to try their hand in the competitive sector.

The old corporatist spirit has not died. It reared its head last year when the banks, jointly and heavily-handedly, tried to start charging for current account services. They managed to galvanise a normally sluggish consumer movement into action against their plans, and ended up having to back down.

"The problem of charging for bank services is a real one, but that was the wrong way to go about it," comments Mr Yves Le Baquer of the Crédit Mutuel group, which was blamed by some other banks for breaking ranks on the bank charges issue.

Corporatism, however, seems bound to give way in the end in

the face of the structural changes which have taken effect in the financial marketplace.

Domestically, the ending of credit controls released the more aggressive banks from the main constraint on their activity, and forced the sleeper to react to the inroads of their competitors.

Internationally, the threat of London as a competing financial centre - resumed home when French banks like Paribas and BNP shifted their main capital markets operations across the Channel - has led Paris to look anxiously to its laurels.

The modernisation of the stock exchange, though still far from complete, was an urgent response to the rise of a London market in French shares, as well as to a surge in both primary and secondary equity market

activity.

French companies, traditionally heavily reliant on debt finance, have begun to turn to the stock market and particularly to the second market as their first choice for fresh capital.

Total issues of new equity have climbed from FF24.2bn in 1980, when they represented only 23 per cent of bond issues, to FF137.4bn last year, or 40 per cent of the gross volume of bond issues.

In the first half of 1987 the progress continued, with FF68.5bn of new equity issues, nearly half the bond volume.

The creation of new markets in financial instruments, ranging from commercial paper and certificates of deposit to financial futures and stock index options

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has also allowed Paris to re-emerge as a centre for financial activity.

And the ending of most exchange controls has permitted a good deal of Euromarket lending activity to come back on shore.

The prospect of facing competition on a wider international scale still causes concern to many French companies. For instance, are the major state insurance companies - giants on the domestic stage - large enough to compete with their West German and UK rivals when the European Community finally opens up its internal market in financial services?

Others have adapted, and regard themselves as already fully implanted on an international market.

"In the 1980s, the idea that you can develop on the scale of a single country of 50m inhabitants is a fundamental error. The market has to be not just Europe, but the world," says Mr Renaud de la Geniere, chairman of the Suez group and former governor of the Bank of France.

To compete on this scale, however, French banks have to find the resources to match their overseas counterparts.

The French banks association (AFB) points out that current proposals for strengthening public sector supervision authorities for raising world capital requirements do not take adequate account of the strength of French banks' provisions for bad debts.

Most banks, however, are keen to boost their capital base, as well as maintain their provisioning effort. This is especially true of those which remain in the public sector: the main reason most of them give for wanting to be privatised is their need to raise fresh equity.

"The period in which banks could self-finance their development is over. We have to place our capital ratios on an international level, and that can only be done through the markets," says Mr Bernard Thiolon, managing director of Crédit Lyonnais.

In the past few years, the surge in profits at France's largest banks has come mainly from financial activities, both from commissions on market operations and from their own investments - especially their bond portfolios as the years of steadily declining interest brought a stream of capital gains.

This financial cushion has helped them to expand into the personal loans sector, an area they had neglected in the period

of credit controls, when they preferred to concentrate their lending on their corporate clients.

Almost coinciding with the end of credit controls came the development of disintermediation, as companies increasingly bypassed their banks as lenders by issuing their own short or long-term securities. The resulting decline in corporate lending has paralleled the surge in personal loans.

For the specialised banks which had carved out niches in the consumer credit market while the big high street banks were concentrating on lending to companies, the competition has intensified. Many complain that the high street banks have been lending at a loss in order to regain market share.

"The big banks made large profits in recent years in the financial sector. They have used this mattress to attack the personal sector at rates which allow absolutely no profit," says Mr Leon Bressler, chief executive of Midland Bank SA, the French arm of the UK bank which has developed a sizable home loans market.

"Where can the big banks make profits now? They can no longer make money on the international market, which is devastated, nor in the major corporate market, because of disintermediation, nor in the financial markets."

That leaves small companies, where they still have large profit margins, though these are being eroded, and the personal sector, he says.

With the stock market crash only a few weeks behind them, and its sequel as yet far from clear, France's financial institutions are cautious about predicting the future, yet most feel that they can weather the storm.

"I have the feeling that if we reached a resistance level soon, the damages to the banking system would be relatively limited," says Mr Dominique Chatillon, president of the AFB.

But it may have discouraged not just the small shareholders, who have seen their portfolios of privatisation shares slip into the red, but the companies which have increasingly turned to the financial markets.

A recent study by the Credit National shows that industrial companies' investment portfolios increased from 0.1 per cent of turnover in 1979 to 0.9 per cent in 1986. The best performing companies in the same period have boosted their investments from 0.3 per cent of turnover to 6.3 per cent.



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FRENCH BANKING 2

The hurried programme of the Chirac government won wide acceptance but has now come to an abrupt halt, says **George Graham**

Privatisation plans blocked by stock market collapse

FRANCE HAS a long way still to travel down the privatisation road, and the sudden collapse of the stock market has put an even more brutal block on its plans than in other countries. The successive nationalisations of Gen. de Gaulle in 1946 and President Mitterrand in 1981 and 1982 had left the state sector accounting for a third of French industry's sales, and nearly two-thirds of its investments. In the banking sector, the state's dominance was even more pronounced. The hurried programme of privatisation introduced by the

incoming right-wing Government of Mr Jacques Chirac in March 1986 had won at least grudging acceptance from most shades of the political spectrum, and an unexpectedly warm welcome from millions of new shareholders. The abrupt halt now forced on Mr Edouard Balladur, the Finance Minister, has cruelly exposed his haste to push through a programme that had seemed to be a surefire vote-winner in next year's presidential election, and has raised serious problems of financing and competitive imbalance for the still

nationalised companies who have now moved into limbo. The debacle has been sorely felt at Compagnie Financière de Suez, the banking and investment group whose offer for sale closed the weekend before Black Monday wiped 10 per cent off leading Paris share prices in a day. First dealings were delayed by Mr Balladur in the face of the markets' turbulence - against the wishes of Mr Renaud de la Geniere, the company's president, a tougher minded and more convinced liberal than the minister. Suez shares opened at FF261,

18 per cent below their offer price, pointing up the fact that most of the companies previously privatised, all of which opened at a premium, had by then slipped below their offer price. For Suez the feeling was sorer, since its arch-rival Paribas, which had pipped it to be the first privatisation in the banking sector, will be remembered as the great success of the privatisation programme with its 3.8m individual share applications, even if its shares are now 25 per cent below their issue price. It is not just the Socialist oppo-

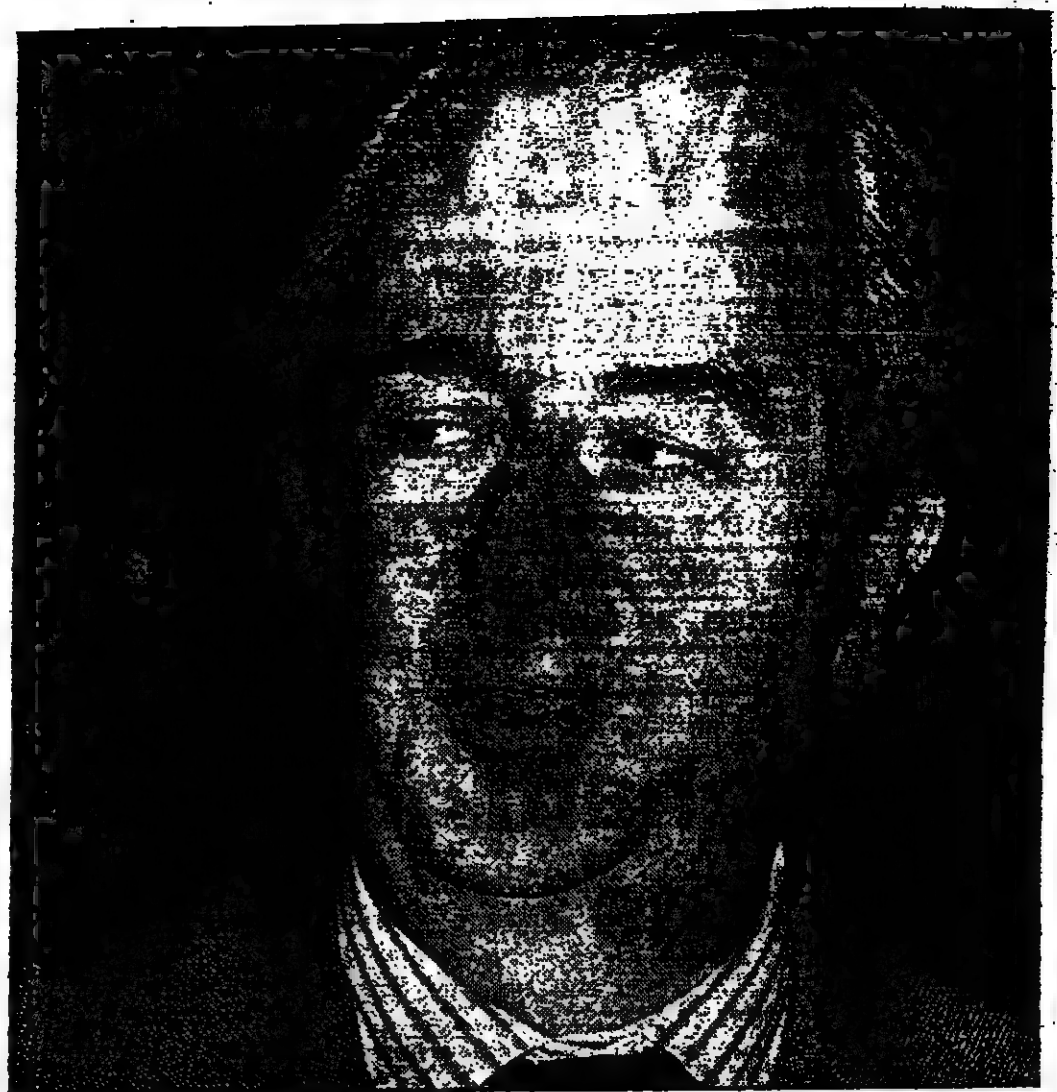
sition, which had hitherto had only limited success in its efforts to find faults with the Government's conduct of the privatisations, who have seized on the issue since the stock market's collapse. Supporters of Mr Raymond Barre, the rival of Mr Chirac in the presidential race and at present clear leader among the candidates of the right wing, have been quick to call for an immediate halt to planned privatisations. Although the Barreists have no quarrel with the principle of privatisation, the political credit for the programme had gone almost exclusively to Mr Chirac, his Finance Minister and the RPR party they head. In addition, some had expressed annoyance at what they saw as the forgetfulness of a flagrant RPR stronghold on the "hard core" of friendly shareholders built up by the Government to protect the newly-privatised companies from takeover and on these companies' boards. At its crux, the charge is that the RPR has placed its supporters at the heads of France's key companies, and then moved them into the private sector where a new government, next year cannot touch them.

Some observers have felt that Mr Balladur's reluctance to abandon the planned privatisation of Union des Assurances de Paris, originally pencilled in for the beginning of December, has lent credence to the Barreists' claims. UAP, the country's largest insurance group, is headed by Mr Jean Dromer, a close supporter of Mr Chirac, and through its huge investment portfolio holds a position of commanding economic power. To press ahead with the privatisation of UAP in current conditions would be suicidal: even if the markets have now touched bottom, which has still to be proved, they are likely to remain too queasy for several months to absorb any major flotation. Mr Balladur is certainly not cast in the *luminous* mould. Yet his staff was on occasion so anxious to deny that he had decided to postpone the UAP operation that it more than once ended up giving the impression that he would carry on regardless - thus sending the markets diving over again - before finally agreeing to

delay it until the New Year. For the handwagon had begun to roll more and more slowly. After the outstanding popular success of Paribas, the minister had been encouraged to accelerate his plans. With each successive privatisation, however, the appetite of the French public for shares has become a shade less keen, even before the latest bourse collapse, which may well have turned their stomachs entirely. Mr Balladur has maintained that the FF86bn raised from the financial markets in 11 operations to date was not a drain of cash, since a large proportion of the proceeds was used to pay off government debt, thus reducing new state bond issues. Institutional investors have found his argument unconvincing, even though many private sector companies were still able to raise equity without being crowded out by the privatisations. Many analysts feel that he over-egged the privatisation pudding, contributing to the downturn in the French market - which began long before the

global doomday of October 19. With the privatisations in effect suspended, more than a third of the way through the FF200bn to FF300bn programme, the Government now faces serious problems over how it is to act towards the companies that remain in state control. It was the luck of the draw that Paribas, privatised in January, was able to carry out a FF7bn rights issue in August, while its rival Suez was allowed only a token capital increase at the time of its privatisation and now sees little prospect of an early return to the market. And it is arguable whether the high street banks Banque Nationale de Paris or CREDIT LYONNAIS will be at a significant competitive disadvantage in the short term to their competitor Societe Generale, which was privatised ahead of them. But the state industrial companies like the chemicals group Rhone-Poulenc or the aluminium producer Pechiney, the difficulty is more acute. Rhone-Poulenc has spent heavily - some say much too

heavily - on expanding its operations in North America, first through the \$575m purchase of Union Carbide's agrochemicals plants, and most recently with the \$500m acquisition of the Stauffer inorganic chemicals business. Mr Jean-Rene Fourtoul, the company's chairman, has only himself to blame for tying up FF800m of precious cash in "hard core" shareholdings in two privatised banks, CCF and Societe Generale. Yet his company badly needs fresh capital to straighten out its balance sheet, and has reached the 26 per cent legal limit on issues of non-voting equity by companies in the state sector. Pechiney has also come close to this limit, and it too has acquisition projects. Both groups will find their business development plans severely handicapped if they are not able to raise their capital somehow - though funds would be no easier to raise in the private sector in current market conditions. An injection from the state as shareholder appears unlikely.



Edouard Balladur: his haste has been exposed

Major privatisations in France

Company	Business	Date of privatisation	Market capitalisation at time of flotation	Number of individual subscribers in French public sector	Main core shareholders	Price of issue	Price on first dealing
St Gobain	Glass and packaging	November 1986	FF13.5bn	1.54m	BNP (7.5 per cent), Suez (3.9 per cent)	FF310	FF368
Paribas	Investment banking	January 1987	FF17.5bn	3.61m	Total (3 per cent), UAP (3 per cent)	FF405	FF480
Credit Commercial de France	Banking	April 1987	FF4.4bn	1.95m	CGE (4.5 per cent), Lafarge Coppes (3.5 per cent), MGF (3.5 per cent)	FF107	FF125
Compagnie Generale d'Electricite	Telecommunications, engineering	May 1987	FF20.6bn	2.24m	Societe Generale (6.9 per cent), UAP (2.9 per cent), Generale des Eaux (2.9 per cent)	FF290	FF323
Havas	Advertising	May 1987	FF6.4bn	730,000	(Societe Generale (4 per cent), Lyonnais des Eaux (4 per cent), Paribas (4 per cent))	FF500	FF540
Societe Generale	Banking	June 1987	FF21.5bn	2.3m	AGF (2 per cent), CGE (2 per cent), Rhone-Poulenc (2 per cent), GAN (2 per cent)	FF407	FF432
TPI	Television station	June 1987	FF3.5bn	416,000	Bouygues (25 per cent)	FF165	FF178
Suez	Investment banking	October 1987	FF19.3bn	1.8m	BNP (3.5 per cent), Saint Gobain (3.5 per cent), Paribas (3 per cent)	FF317	FF281

Future privatisations in progress since stock market crash: Matra (electronics), Air France (airline), UAP (insurance), AGF (insurance), BNP or Credit Lyonnais (banking), Rhone-Poulenc (chemicals) or Pechiney (aluminium).

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FRENCH BANKING 4

The collapse has not deterred plans to take advantage of the stock exchange reforms

Banks still keen to buy stockbrokers

AROUND THE Paris bourse these days they have stopped asking you how much you sold your stockbroker for - now the popular guessing game is how much money there is in the stock exchange's emergency guarantee fund.

The question was already of interest to the banks and securities houses when to buy Paris brokers following the Government's introduction of new stock exchange reform legislation, which opens up the brokers' capital.

It has become more pointed in recent weeks as the collapse in world stock markets has brought trading losses for some brokerage firms. More than one is reported to have had to draw on the fund.

Yet the markets' crash has not deterred a number of banks from signing up with Paris stockbrokers. Foreign groups, such as Warburgs of the UK, J.P. Morgan of New York and Swiss Bank Corporation have been quickly followed by domestic giants including Banque Indosuez and the Credit Agricole, which bought not one broker but two.

Other French banks, including Paribas, Credit National and the big three - Banque Nationale de Paris, Credit Lyonnais and Societe Generale - had already

announced their plans before the collapse, while the biggest French stockbroker, Meeschaert Rousseau, had agreed to be taken over by the insurance group Compagnie du Midi.

More banks are still in negotiation, and they indicate that the prices being demanded by the stockbrokers have not fallen much, if at all, since the disaster of Monday, October 19 made everyone start to wonder if the party was over - even though rumours still fly of loss-laden firms changing hands for a symbolic FF1.

In fact, French brokers have in general relatively little exposure as principals. Some may have suffered from taking positions in the 18-month old Matif financial futures market, while others may have been hit by the occasional defaulting client, but most have benefited from the record trading volumes, and hence record commissions, achieved on the bourse's darkest days.

"My father ran this broking firm before me, and he never made as much money in his life as he did between 1982 and 1985," says one Paris broker.

Mr Yves Florioy, whose old-established firm Mivard-Florioy is to be bought by Morgan, says that he has not been hurt by the stock market collapse.

"We have not suffered in the last few weeks. We have refused the speculators' clients, and we have not been very active on the Matif, so we have been little exposed," he says.

But the stock market debacle has perhaps caused some to question what precisely they were buying.

The answers have been different in each case. Every agreement signed so far has had its own peculiarities, with different divisions of power between the outgoing partners and the new owners.

At first, the response appeared

to be alarmingly clear: the broker was little more than a seat on the stock exchange, and even that was to run out in 1992 when the stockbrokers' closed shop is due to end under the new legislation.

This was the logic of the first

Most brokers have benefited from the record trading volumes, and therefore the record commissions, that were achieved on the bourse's darkest days in October

two deals announced, those of BNP and Societe Generale, each of which chose practically the smallest broker it could find, on which to graft its own dealing room and back-office structures.

Recent deals, however, have appeared to pay more attention to the market position the broker has been able to build up, and to pay more than lip-service to the

problem of preserving the loyalty of their trading teams.

Yet questions over the directions in which the Paris market as a whole will evolve remain in the minds of many market analysts.

For instance, how will BNP and Societe Generale reconcile

their new Paris operations with

their existing market-making in French shares in London?

A large part of the stock trade of brokers like Citicredit, Bouvet, bought by Paribas, and Baccot Allain, bought by Warburgs, is in block trading.

Some dealers wonder whether this activity in large blocks of

shares, which to some extent parallels the operations of inter-

dealer brokers in other primary markets, will not dwindle away after the new legislation comes into effect and others in a new and more heavily capitalised generation of market participants who may overturn current dealing practices.

The Paris stock market has taken huge technical strides in the last three years to enable it to cope with a sixfold increase in trading volume - from FF782bn in 1983 to FF2,050bn in 1986, and up again to FF1,507bn in the first half of this year.

Continuous, screen-based trading has been introduced on the CAC system for a large array of stocks, a major project is under way to speed up settlement procedures and introduce stock lending and borrowing facilities, and a new market in traded options has opened, though with

sizeable hiccups, on some of Paris's leading equities. An option

on a new stock market index is planned.

But despite a number of modifications to the rules, France has not yet created the legal and fiscal structure which would allow serious market-making activity to develop by permitting dealers to take stock on to their own books efficiently.

The absence of this sort of dealer, or *contrepartie*, ready to take positions, diminishes the liquidity of the market and is blamed for the switchback progress of many share prices on the continuous CAC market.

Nevertheless, many Paris brokers, and particularly many Finance Ministry officials, remain devoted to the concept of the *unicite de prix* - the belief that the small investor who looks in the newspaper for yesterday's price should rest secure in the knowledge that his order was executed at that price.

The concept worked with the old fixing system - which still applies for a number of shares

listed on the Paris exchange and carries a considerable element of protection for investors. But it is hard to see how it can be reconciled with a continuous market.

And the stock exchange authorities still seem unwilling to consider negotiable commissions, even though many brokers are getting around the fixed commission structure by offering favoured clients drawbacks or free subscriptions to services such as Reuters or the independent Paris research organisations.

The Paris bourse has already seen what can happen if you fail to adapt to circumstances. The French government bond market, still theoretically a monopoly of the stock exchange, has now escaped almost entirely from the exchange's constraints, even though the banks which are now primary dealers in government bonds and bills have to construct elaborate paper chains through their lending subsidiaries or put their deals through a broker at almost nominal commission rates.

The exchange has yet to prove that the changes now being introduced will be enough to prevent the same thing happening in the equity market.

George Graham

Multi-option facilities

Rush for flexible finance

IT IS NOT a development that French banks look on with any great enthusiasm, but one which they will probably all eventually have to embrace. The so-called multi-option facility, providing companies with a highly flexible form of financing, has already swept the corporate sector in the UK, and is now becoming the rage in France.

In the first nine months of this year, banks arranged more than £19bn in syndicated financings for UK companies, most in the form of multi-option facilities. They usually allow companies to draw on a variety of competitive financings, such as commercial paper, short-term notes, acceptances or cash advances, but also provide a committed financing from the banks to act as a backstop should the other instruments not deliver or become uncompetitive.

The rush into such financings has been encouraged partly by the problems for most of this year in the international bond markets, which have not been a reliable source of financing for anything but the highest-rated borrowers. The collapse of equity markets worldwide, and the

increased concerns among investors about corporate risk, have, if anything, accelerated the trend.

The strength of these facilities from the companies' point of view is three-fold: flexibility, cost and speed. Because they cost so little to arrange, many companies use them simply as a standby. The facilities also take a minimal period to put together, even in the volatile markets since October 19.

But their development poses a dilemma for the French banks. Many companies are using the facilities as a replacement for the relatively expensive standard lines of credit provided by the French banks for French companies.

What has traditionally been the French bank preserve is being encroached upon by the foreign banks eager to establish relationships with French companies and willing to lend at aggressive rates.

If the French banks do not participate, they lose important longstanding corporate relationships, but if they join they encourage a trend which reduces their own income.

For example, the traditional

main relationship banks of SNECMA, the French state-owned aero-engine maker, were not in the lead management group putting together a \$300m facility for the company. Banque Nationale de Paris, Credit Lyonnais and Societe Generale were not in the group, but Banque Indosuez, Banque Paribas, Bankers Trust and Barclays Bank were.

This deal also illustrates just how aggressive the terms on such financings have become. The facility fee - the fee the banks receive annually for putting the transaction in place - is four basis points - four-hundredths of one per cent, or \$120,000 for the whole facility.

If the company ever draws down on the committed part of the facility, which it may not, it pays 10 basis points over inter-bank rates if in French francs and London interbank offered rates if in another currency. An extra two basis points is payable if less than half drawn and six basis points if more than half used.

With such pricing, small wonder that French companies are lining up to make such deals.

So far, boycotts by leading French banks of facilities which they have considered too aggressive have not had much of an impact. The lead managers of the SNECMA deal were confident that they would succeed in putting together the financing, while a boycott seemed to make little difference to an earlier deal for Laffarge Coppes.

However, the big French banks may cast an eye across the Channel and consider it worth digging in their heels. British banks boycotted a very tightly-priced \$500m deal for the industrial conglomerate, BTR, in August.

The boycott had little effect on the BTR deal itself, which was put together without a hitch, but had an impact on subsequent deals, which were priced slightly more generously to entice the UK banks to join.

The question borrowers must consider is the old one of transaction versus relationship banking. One could imagine that the pendulum is on the point of swinging back toward the latter, since it is when times become tough that a company needs its friendly banker.

Stephen Fidler



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FRENCH BANKING 5

The competitive climate has been changed completely

Deregulation consensus faces election hurdle

AS FRANCE moves into an as yet undeclared campaign for next year's presidential election, the undeclared consensus between the country's right and left over deregulation of the financial sector may be heading for stalemate.

The process of reform and modernisation began under the Socialist finance ministers Mr Jacques Delors and Mr Pierre Bérégovoy. It has shown a remarkable degree of continuity - even of acceleration - under Mr Edouard Balladur, who succeeded them at the Finance Ministry when a right-wing majority came to power in the March 1986 parliamentary elections.

With the stock exchange reform legislation now passing through parliament, the deregulation programme appears to be coming to at least a temporary halt.

Other sensitive reforms - touching entrenched tax privileges - are unlikely to make much progress in the run-up to the presidential election.

Yet a great deal of ground has already been covered. The reforms began with a reworking of the banking regulations and continued through the creation of new financial markets and the revitalisation of old ones.

Most important of all for foreign investors - and for many French institutions, too - has been the gradual removal of foreign exchange controls, although many have chafed at Mr Balladur's reluctance to abolish the controls in one fell swoop.

The 1983 banking law, which laid the groundwork for many of these reforms, was the first major restructuring for 40 years. It extended the Bank of France's control beyond the traditional banks to a range of co-operative and mutual banks, each of which had previously had its own separate status.

"Banalisation" was the cry - the ending of special privileges and the levelling of the playing field so that everyone could offer roughly the same services under the same regulatory conditions.

This involved ending many of the bewildering array of credit subsidies - at least 54 different varieties up until 1984 - and turning lending over to a free market.

The free market could not come into effect without the ending of quantitative credit controls, which had been the

main instrument of French monetary policy since 1972. Gradually eroded from 1984 onwards, the so-called *encadrement du crédit* was finally abolished on January 1 this year.

The abolition completely changed the competitive climate in the French financial world. Banks which had been unable to increase their lending activity - or had simply been able to sit comfortably on their market segment without inroads from their rivals - started to expand rapidly.

The end of the *encadrement*

The process of reform and modernisation has shown a remarkable degree of continuity - and even accelerated

was a real revolution. We have a big gap between our deposits and our credits so when credit controls were removed we decided to start distributing loans in a massive way," says Mr Yves Le Baquer, managing director of Crédit Mutuel de Bretagne, a thriving mutual bank with 22 per cent of the savings market in its native Brittany.

"The problem was that other banks found themselves in more or less the same position, with the result that competition in Brittany became intense."

But it was not just in Brittany or in other heavily-banked regions that competition intensified.

For the ending of credit controls coincided with the opening up of a new range of debt instruments, including the creation of a commercial paper market in December 1985.

The new markets gave companies direct access to funding by issuing their own short or long-term securities, cutting down the banks' direct lending activity in a process of "disintermediation."

The major French banks thus turned their attention to personal lending, a sector they had to a great extent neglected to the profit of smaller and more specialised credit institutions.

The reform and deregulation of the financial markets led to a gradual harmonisation of the conditions for a whole range of debt instruments, as short-term commercial paper and certificates were allowed to be issued at longer maturities, eventually overlapping with the conditions for bond issues.

These new markets have taken off rapidly. Over FF450bn of commercial paper is now in issue, compared with less than FF25bn a year earlier, while the CD market has nearly tripled from FF170bn at the start of the year to FF470bn at the end of September.

But it was the Government's administration of its own debt which changed most dramatically, leading the way for the rest of the financial market.

Although Mr Balladur has managed in successive budgets to reduce the central government deficit, the state remains by far the most important borrower in the Paris markets, financing itself largely through regular auctions of Treasury bills and bond tranches.

The Treasury bill market now appears to have reached cruising speed, with around FF300bn in issue at the end of September. The auction system now works smoothly for the bond market, and has been adopted by other major borrowers.

In fact, the French Treasury, which points with pride to the modernity of its debt management techniques, has moved into the realm of debt swaps, beginning by swapping FF1.5bn of fixed rate bonds into floating rate debt with the Credit Lyonnais bank.

There is much left to do. If "banalisation" has made a great deal of progress, the whole sector of personal savings is still rigidly controlled. Interest rates on deposit accounts are fixed by the state, and certain varieties of savings account, carrying particular tax privileges, remain the prerogative of certain banking networks.

The position of the Caisse des Dépôts, the central state financial institution which is the channel for all money deposited in savings accounts, may therefore evolve further.

Several categories of loan, especially agricultural and house-

ing, are also possible targets for "banalisation," though both housing and agriculture are politically sensitive sectors.

The insurance industry is still waiting for its equivalent of the 1983 banking law, which will thoroughly reform and modernise its regulatory structures.

The recent upheaval of the financial markets, however, has placed a lingering question mark over the process of deregulation, giving ammunition to those, such as Mr Jean Saint Georges, chairman of the CIG banking group, who felt the process had gone too far and who called for re-regulation.

Those who had deeply inhaled the spirit of deregulation are now holding their breath to see if the old regulatory habits re-emerge.

George Graham



Jacques Delors (above) and Pierre Bérégovoy, succeeded by Edouard Balladur



The stigma of having an overdraft in France has all but disappeared

Growing taste for consumer loans

A MAJOR cultural revolution has been taking place in French attitudes towards consumer lending.

During the past few years, French consumers and the banking system have lost most of their old inhibitions over consumer loans and have increasingly turned to lending practices already established in other industrialised countries such as the US or the UK.

Although consumer loans still represent a modest proportion of the country's overall lending activities compared to other OECD partners, the French have developed a growing taste for this type of credit. Indeed, while having an overdraft at the bank was regarded until recently as taboo in France, the stigma seems to have disappeared.

Most banks now automatically allow depositors an overdraft of up to FF10,000 and overdrafts - which totalled only a modest FF10.8bn at the end of 1984 - have been steadily rising by about 20 per cent a year during the last two years.

In the past, the development of consumer lending in France was held back by the monetary authorities as well as the general cultural attitudes of French

households towards this form of credit.

The monetary authorities traditionally preferred to encourage banks to concentrate their lending on the industrial and housing sectors. Special restrictions and credit ceilings put a brake on the development of consumer lending in France.

But there has now been a profound change in attitudes both at the consumer level as well as with the monetary authorities and the banking system as a whole. At the same time, there has also been a general shift in French lending patterns as company indebtedness has declined and consumer lending increased.

French companies, which once relied on indebtedness for growth, have now seen the general financial situation improve and their profit margins rise, reducing their need for debt.

The deregulation and modernisation of the French financial markets, begun in 1983 under the Socialists and accelerated by the right-wing Government in the past two years, has also given French enterprises a battery of new financial instruments, including the *billets de trésorerie* or commercial paper.

This has led to a decline in the banks' traditional lending activities to the industrial and corporate sector. In turn, the banks under the new French climate of financial deregulation have increasingly sought to develop their consumer credit activities.

Consumer credit is expected to

The banks have turned increasingly to lending practices already established in other industrialised countries

continue to develop strongly in France, to match the growth in consumer spending. One out of every three households in France has now taken out consumer loans of one sort or other.

Consumer credits, which accounted for 2.84 per cent of disposable income of households in 1981, had grown to 3.57 per cent by 1985. A recent study by the monetary authorities shows that consumer credits totalling FF167.5bn in 1981 have been rising steadily during the last five

years to about FF185bn last year.

This evolution has been accelerated by the attraction of consumer credit to a new generation of younger French households without the same inhibitions as the previous generations towards this type of credit activity. Moreover, the banking system has made major efforts to develop new, more attractive and simple consumer credit instruments as competition between the major credit institutions has intensified for consumer credit customers.

Apart from overdrafts, banks increasingly have offered revolving credit facilities to customers as well as other consumer lending facilities. Hire purchase agreements, mainly for cars and household capital goods, have also continued to expand but not at the same rate as the new instruments.

At the same time, retailers and car companies have also started to offer a greater variety of credit facilities for consumers.

For example, the private Peugeot car group has just launched a special credit card for its customers which also offers revolving credit facilities. Renault, its state-controlled rival, is planning

a similar move.

Several major banks have also taken control of specialised consumer lending institutions or started their own subsidiaries. Societe Generale bought Creg in 1982 while the Banque Nationale de Paris took control of Credit Universel. Credit Lyonnais, the other major clearing bank, launched its own consumer credit subsidiary, Clefem, in 1984.

The development of home banking linked to the successful development of the Minitel videotext technology by the French telecommunications authority has also encouraged the growth of consumer credit in France.

The banking system believes there is considerable growth potential for consumer lending in France, especially as the general level of indebtedness of French households remains well below that in most other OECD countries.

But the French authorities are carefully watching the development of these activities and the risks of too rapid an expansion of the consumer credit industry.

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FRENCH BANKING 6

Insurance market

Preparing for a period of radical reform

CHANGE IS in the air in Paris, on the Rue Chateaudun, the French equivalent of London's Leadenhall Street and the heart of the nation's insurance industry.

The most radical reform of the country's system of insurance regulation since 1945 is now beginning. And in spite of last month's plunge in world stock markets, the Finance Ministry insists that the long-delayed privatisation of UAP, France's biggest insurer, will go ahead soon, though it will miss its original early December flotation date.

Yet the future role of France in the world's insurance industry is still uncertain. The year 1992 is due to mark the creation of a genuinely free market in financial services throughout the European Community. And some of the French insurance industry's leading figures have identified that as a decisive moment of opportunity for French insurers to expand internationally.

But in the words of Mr Benoit Jolivet, the French government's director of insurance, in a speech delivered last summer: "Everybody's talking about 1992 and the great internal market but, at bottom, nobody can really say what it is going to mean." What is clear, he says, is that competition within the international insurance industry will be "cruel and merciless."

Hence the Government's launch in February of plans for a new insurance law with the twin goals of liberalising and modernising insurance regulation.

Government officials in Paris see it as a move towards the British system, in which insurance companies are in theory given "freedom with publicity." That

is, they are allowed a high degree of independence from direct Government regulation of prices, or types of insurance contract - but in return they have to disclose substantial amounts of information about what they are up to.

Mr Edouard Balladur, the Finance Minister, summed up

Government officials see the new law as a move towards the British system, allowing great independence

the aims of this in a key speech when he said: "The European common market in insurance will be, tomorrow, one of the most important in the world. It must constitute an extra chance of development for French insurance, and not a handicap."

This autumn, one of the most striking signs that French insurers are girding their loins for the coming conflict appeared when Compagnie du Midi, the banking, beer and insurance group, took over Equity & Law, the 20th biggest British life insurance company.

But expansion by acquisition may not be enough. The trouble is that the history of the French insurance industry - and, crucially, its methods of marketing and distribution - have left it with one big handicap. The problem lies in the relative underdevelopment of the nation's insurance broking sector.

There's no tradition of broking, says the former head of one of the big nationalised French insurance groups. "The biggest brokers are all foreign-owned."

In fact, insurance marketing in

France traditionally has been channelled through three main forms of distribution. There are some 22,500 agents *generaux*, which are typically small firms found in every French town, selling the products of just one insurance company, and servicing maybe 300 longstanding clients.

And on the household and motor insurance side, there are signs that even after 1932 the French market will remain securely dominated by domestic companies.

The important factors here have been the rapid growth of mutual insurance companies, such as the *Mutuelle Agricole*, which sell direct and have tended to under-cut prices charged by longer established insurers. In turn, banks and even department stores - such as the famous *Carrefour* in Lyons - have become significant sales outlets for personal lines in insurance products.

Where the lack of big brokers is really significant is in the non-life market for what the French call *les grands risques industriels* - property and liability insurance for business enterprises. Here, it dovetails with what some see as another French insurance industry defect: the lack of a world-class reinsurance company, like the Munich Re, the Swiss Re or the General Re of the US, or of a big pool of specialist underwriting capacity such as Lloyd's represents for London.

Many leaders of French insurance are adamant that the domestic market can carry any property or liability risk that French manufacturing industry produces. But on the Rue Chateaudun, one fear is that when all the barriers to a free market in European insurance do come down, the big British and American brokers will begin channeling that business away across the frontier to London or New York.

What does this mean for French insurance as a whole? On the life insurance side, there is little sign that it is inhibiting growth - though French people are still substantially underinsured compared with Britons or West Germans. Industry-wide figures show a 28 per cent jump in life insurance and savings plan premiums in 1986, to FF96bn.

MR GEORGES PEBEREAU, the former chairman of France's *Compagnie Generale d'Electricite* (CGE) and one of the country's most accomplished international industrial dealmakers, has made a successful new start in life as an investment banker.

In barely eight months he has raised nearly FF1.5bn of capital for his new financial activities grouped around investment bank Marceau Investissements.

He and his partners have also recently taken control of *Compagnie Privee de Banque*, a small French investment bank, or *banque d'affaires*.

The success of Mr PeberEAU's start-up in the banking business is all the more remarkable since he did not expect to lose his job at CGE 18 months ago. Indeed, he had just clinched a landmark telecommunications alliance between CGE's Alcatel subsidiary and ITT of the US.

The deal saw CGE take control of a new international telecommunications plant, grouping together Alcatel's and ITT's telecommunications operations.

But the new right-wing Government of Mr Jacques Chirac, which had won the legislative elections a few months before, apparently felt uncomfortable in keeping a virtuoso like Mr PeberEAU at the helm of one of the country's key industrial concerns targeted for privatisation.

The ITT deal was by the far the biggest but not the only coup engineered by the former CGE chief executive.

Before the telecommunications alliance with ITT, he had already absorbed the telecommunications businesses of Thomson, the

French nationalised defence and electronics group, as well as gaining control for CGE of Frantonia, the leading French nuclear power plant builder. And he had other major transactions in the pipeline in his constant search to give CGE the necessary scale to compete in world markets.

His removal from the top of CGE clearly came as a shock. Mr PeberEAU now acknowledges that he "went in the wilderness," although in retrospect "my time in the wilderness was shorter than I expected."

Shortly after leaving CGE, he met Mr Gustave Leven, the chairman of the *Parier* mineral water group, and Mr Jean-Louis Descoms, the head of the *Andre* shoe group, who discussed with him the opportunity of setting up an international investment bank.

"What is surprising about Mr PeberEAU is the speed in which he has managed to recycle himself successfully in a new career," one French investment banker observes.

The same banker adds that often in France leading businessmen, financiers or high civil servants often find it hard, if not altogether impossible, to start a career from scratch again after falling from political grace and their former lofty pedestals.

The risks for top businessmen are particularly acute in France, especially in state sector industries and banks, since new governments inevitably indulge in a political spoils system after any election, seeking to place chairmen favourable to them in the key jobs.

Mr PeberEAU, whose younger brother, Michel, is chairman of the recently privatised *Credit Commercial de France* (CCF), took up his new challenge with gusto. Within a few months, a number of French and international institutions took stakes in his new investment banking venture.

Apart from Mr Leven and Mr Descoms, other investors have included the *Caisse de Depots*, the *Axa* insurance group, and a financial subsidiary of the *Total* oil group. *Falga*, the investment group started up by Mr Pierre Jousse, the former chairman of *Paribas*, also put money in the venture.

Indeed, Mr Mousset, like Mr PeberEAU, wasted no time in setting up a new financial venture after leaving *Paribas* when the left nationalised the big French financial group which has now been privatised again.

Other investors in Mr PeberEAU's operation include a subsidiary of the *L'Oreal* cosmetics group, the now privatised *Suez* financial group, and *BAT's* *Eagle* Star insurance subsidiary.

Mr PeberEAU has also attracted West German and Swiss investors and is negotiating to bring in American, Japanese and other Far East investors into his group. "The recent stock market crash has made things more difficult but I still hope to see American and Far East investors come in by the end of this year," he says.

Mr PeberEAU's aim is to



Georges PeberEAU: a time in the wilderness

develop Marceau as an investment bank with strong international industrial links. With a small but highly qualified team - a number of his former CGE or Alcatel associates have joined him - Mr PeberEAU is continuing to capitalise on his extensive international business contacts.

The bank has taken stakes in a number of ventures as well as becoming part of the so-called "hard core" investors of the recently privatised *Societe Generale* clearing bank and the *Suez* financial group.

Mr PeberEAU also wants to develop merger and acquisition businesses and financial engineering activities. He played a part this year in the recent

acquisition by *Parier* of BCI Arrowhead, the mineral water division of *Beaumont Foods*.

Even though the bourse collapse has made life more complicated, Mr PeberEAU expects the new situation in world financial markets to lead to "an explosion of fireworks" in coming months. In France, in an increasingly deregulated financial environment this is especially likely to occur after the presidential election next spring.

"France is likely to become an increasingly attractive target for international groups and we are likely to see a lot of deals. Some have already started," he says.

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